The fiscal capacity problem of local governments: lessons learnt from Baltimore to Hungary

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Acknowledgements

During the nine months as a junior urban fellow at the Institute for Policy Studies, the Johns Hopkins University, I gained a lot of experience concerning urban public finance issues in the US. This knowledge will contribute to my work as a researcher and a consultant of local governments to a great extent in Hungary.

First of all I would like to thank Dr Michael Bell and Bob Siedel for their help, deep and continuous attention to my work during my stay here. I believe, that without them, I would have been discouraged many times by the difficulties of understanding a new country and a new system.

I also got much knowledge by taking four courses during the year with the master's students. I am glad that the program let me do that, because I could use my studies in my research very well and the courses helped me familiarizing the characteristics of the public policy system in America.

I made many interviews with different city officials in Baltimore for my research. (The list of them can be found after the Bibliography.) All of the experts I interviewed were extremely helpful and knowledgeable and made my task a lot easier.

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Introduction

In Hungary the first intergovernmental grants were introduced after the political changes and the foundation of new local municipalities in 1991. The role of local governments were redefined, and also the system of state transfers were completely changed. A more western type grant system was introduced. However the system is not comprehensive, does not have an underlying theory behind it and has several defects in the practice.

In Hungary it would be inevitable to design a more comprehensive grant structure and first of all to evaluate the effects of the existing system. This evaluation should be started as soon as possible for the sake of both the cities and the government officials to see whether the present structure of grants can address the problem of the cities and fulfill the expected objectives. The evaluation should be continuous, because the grant system will change following the economic transformation too.

My research and my studies at the Johns Hopkins University, Institute for Policy Studies in 1993-1994 aimed at gaining experience and knowledge on government finance issues in the US which served as a basis of this study. Both my experience and the research paper will contribute to the evaluation of the above

mentioned problems and to the design of better public finance policies through my consultation work to municipalities in my country.

This paper will help policy makers in Hungary understand a method to measure the financial capacity of local governments, the theoretical underpinning for intergovernmental grants, the design of a grant and its effectiveness to address a certain problem or achieve a certain objective, and alternative tools which address fiscal disparities among different jurisdictions.

These issues are quite relevant in Hungary at the moment, because the new government which will start its work probably in July 1994, will definitely change the system of government transfers.[1]
The present system lacks a comprehensive theory underlying the distribution of roles and responsibilities between the national and the local levels of government. On the basis of the theories of fiscal federalism[2] the allocation of tasks should be rethought.

In the lack of considerable own sources - like local taxes - of municipalities, the national government transfers finance a big

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[1] The liberals and the Socialists which won the elections, ruled local municipalities, and saw the disadvantages of the system from the local point of view. The liberal and socialist mayors and local politicians seriously criticized the previous government by saying that it mandated tasks to the local level without assuring the sources to complete the responsibilities.

[2] The theory of fiscal federalism helps understand the cases for decentralization of public services.

part of the operating and the capital budget. However the transfers do not take into consideration the revenue raising abilities of different municipalities, which can lead to serious problems in the future in poor localities where the basic public provision will not be assured. As a consequence big disparities will be created among different jurisdictions in the country. The central government has to measure the revenue raising capacity of local governments urgently and transfers should be redesigned to introduce more redistribution to the system. Local governments will have to consider alternative policy tools like the tax base sharing, user charges or special districts to address the fiscal capacity problems of a city or of adjacent neighborhoods.

Towards the analysis for the problems of Hungary I used the practical and theoretical experience I gained by studying the case of Baltimore city. A number of policy tools that address the fiscal capacity problems of the city on the basis of the theories and principles of fiscal federalism are examined in my paper. The focus of the study is an intergovernmental grant for community and economic development from the federal government to Baltimore. The ultimate objective of the study is to examine the extent to which intergovernmental grants for community and economic development can address the deep fiscal distress of the city.

The mis-match of revenues and expenditures of many urban local governments in the US became the focus of the attention of the

professional research of fiscal federalism and public policy in the middle of the 60's. The terminology of fiscal mis-match expresses that the own revenues of the local governments can not cover the expenditures for their necessary public services, or the same level of public service provision can only be achieved by imposing heavier burden on the population in some jurisdictions than in others.

The deepening fiscal problems of old central city governments from the 60s showed that fiscal disparities are related to broader economic and urban development issues. The relative fiscal disparities of cities and suburbs, associated with the segregation of poor minority groups in the central cities, the increasing rate of unemployment and crime caught the attention of public policy makers 30 years ago.

The analysis of the cause for the disparities is not the subject of my study. In my paper I focus on how local governments can respond to these disparities, and whether the tools the federal, the state and the local governments use, address the fiscal capacity problems.

In the first chapter of the study I describe one method to measure the revenue raising ability and expenditure needs of cities. The method I explain, was worked out by the Advisory Commission for

Intergovernmental Relations[3], a government agency in the US.

In the second chapter I apply this method to Baltimore. I evaluate the city's financial capacity and its tax effort, and the most significant problems the city has concerning its budget.

In the third chapter I concentrate on intergovernmental grants as a policy tool to address fiscal capacity problems of local governments. I describe the system, the history and the underlying theory of the grants in the US in more detail. I also present the Community Development Block Grant and the use of the grant in Baltimore City.

In the fourth chapter I describe a number of alternative policy tools a local government can introduce to collect more revenues besides taxes. I evaluate three other policy tools which local municipalities can use to raise more revenues: realigning the tasks among the different tiers of government, tax base sharing, and user charges. I give a brief theoretical analysis of these tools and a few examples on how the tool in question is used in Baltimore.

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[3] The US Advisory Commission for Intergovernmental Relations was created in 1959 by the Congress. ACIR is an independent commission which gives recommendations and conducts research on the cooperation among the different tiers of the government in the US.

2. Assessment of the financial capacity of local governments

One method of measuring fiscal capacity is described in this chapter. This approach - which measures a local government's capability to cover the expenditures of necessary public services from its own sources - was used by the Advisory Commission on Intergovernmental Relations[4].

The fiscal mis-match of local governments can be defined as the difference between their revenue raising ability and the level of expenditures necessary for the jurisdiction to provide adequate public services.

The relative disparity among different jurisdictions, among central cities and their suburbs, or among states can be defined as the difference in fiscal capacities of the municipalities or states in question. The cause of relative fiscal disparities can be the low revenue sources of local governments, the high level of necessary provision of public services and the inadequate tax effort of the jurisdiction.

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[4] The Advisory Commission on Intergovernmental Relations worked out and published the first analysis of tax capacity measuring in 1967. The analysis was based on the Representative Tax System methodology. The method was taken over by Maryland too.

In 1989 ACIR completed the representative approach by developing the Representative Expenditure System.

After describing the method which measures fiscal capacity - the Representative Tax System and the Representative Expenditure System - I analyze Baltimore's fiscal capacity and evaluate the causes of its fiscal problems.

2.1 Assessing revenue raising ability (The Representative Tax System RTS)

For being able to evaluate the causes for serious fiscal disparities, first we have to look at the revenue raising ability of local governments.

In the US more methods are being used for analyzing revenue raising ability. More attempts have been made to work out normative revenue raising ability methods, on the basis of which revenue raising abilities of different jurisdictions can be compared independently from the existing revenue system of the particular local government.

For many decades the main basis for assessing revenue raising ability of a jurisdiction or a state was per capita income. A local government's potential was then counted with the use of ideal or model tax systems in each state. However this approach was changed when the ACIR introduced the so called Representative Tax System as

a tool to evaluate the fiscal capacity of different jurisdictions.[5]

The Representative Tax System on the level of a designated area is based on the actual tax policies in use on that territory. The parameters of each type of tax in the representative tax system is chosen to be the prototype of all the systems in use. Therefore, the tax base of a tax in the representative tax system is the "prototype" of all the tax bases used for that particular tax. The choice of the tax base is made after an evaluation and comparison of the tax bases used all over the area, and those components are included in the representative tax base which most of the levying governments use. E.g. if the property tax in most of the levying governments include residential property, then the Representative Base will include residential property too. Or, if most of the levying jurisdictions exclude the services from the sales tax, the prototype tax base does not include it either. A typical base may or may not be different from the statutory tax base used in the imposing governments in practice.

When the tax base is worked out and the total collections from a tax is known at the level of the designated area, the rate is computed by dividing the total revenues with the representative base.

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[5] Advisory Commission on Intergovernmental Relations: Measures of State and Local Fiscal Capacity and Effort. Washington DC. 1962.

With the help of the representative base and rate, the tax capacity can be calculated for the area. The RTS rate applied to the RTS base gives the area average. The area tax revenue divided by the total population of the area gives the fiscal capacity index.

The Representative Tax System does not take into consideration the parameters of the tax system an imposing jurisdiction uses in reality. It tells the levying government how much it could yield if it used the RTS.

The difference between the revenues collected under the real tax system and the revenue the RTS could yield gives a picture of the government's tax effort. By using this method, and looking at the components of the representative tax base and the level of the representative tax rate the imposing governments can evaluate the causes for the possible inadequate revenue sources. This can be the low level of tax effort (e.g. if the tax base does not include many components of the representative base), but also the low value of the tax base, like e.g the low level of taxable income or the low level of taxable assessed property value.

In the US the Representative Tax System is applied to compare states with each other and with the national average, in which case we get a picture of the fiscal disparities among states.

For calculating fiscal disparities among states the total revenue

yield from the RTS in a state is calculated using the theoretical value of the national Representative Tax Base and the national Tax Rates. This revenue is divided by the total population of the state, and the index is compared to the national average, and to other state indices, which gives a picture of the state's relative fiscal capacity.

The most recent RTS uses 27 tax categories in the US. The base and the rate of these taxes are the "representatives" or typical parameters chosen and computed by comparing the systems of the 50 states. The Representative Tax Systems include all the taxes which - on the basis of the judgment of those prepared them - are used in many of the states.[6]

In the US the Representative Tax System is used by some states as well, to compare the fiscal capacities of local governments located on the territory of the state with each other and with the state average. Based on the same method, the process of the computation is the following. The Representative Tax Base is worked out by looking at the tax bases used by the imposing governments in the state. The total yield of the tax at the state level is then divided by the Representative Tax Base, which gives the Representative Tax Rate. The Representative Tax rate applied to the Representative Tax Base gives the Representative Tax yield at the

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[6] The Census uses 29 tax categories at the moment to show all types of tax revenues in the US, but two of the included taxes are not considered to be significant, therefore they were excluded from the Representative Tax Base.

state level. This number divided by the total state population which gives the state index.

Local governments in the state apply the theocratically available level of the Representative Tax Base and Representative Tax Rate, worked out at the sate level, for their jurisdiction and divide it by the number of the inhabitants. This index can be compared with the state average index and the indices of other local governments to show local disparities among local municipalities.

In Maryland e.g. the tax capacity indexes are calculated for the counties and Baltimore city on the state level. For measuring local revenue capacity, the State Department of Fiscal Services uses eight taxes[7] which are levied in most of the jurisdictions. The Representative Tax Bases in Maryland are shown in Appendix B. The calculation prepared in the state of Maryland helps us evaluate Baltimore's fiscal capacity in comparison with its needed expenditures and the fiscal capacities of other Maryland jurisdictions in part 3.2.

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[7] These are: the property tax, the local income tax, the property transfer tax, the recordation tax, the local sales tax on utilities, the hotel tax, the admissions and amusement tax, the water, waste water and sewer fees. Local taxes constitute 68% of local own revenues, the remaining 32% include service charges, like the water and sewer fee.

2.2 The Representative Expenditure System (RES)

Similarly to the Representative Tax system, to measure the public service "needs" of a government , a normative system was developed.[8]

The Representative Expenditure System on a designated area takes into consideration all the public service functions governments at all level of the area provide. For each function a workload measure is determined, which is worked out with the help of the literature and consultations with government officials. The workload measure is chosen so that it relates the costs of a function to an index (cost/workload unit) which is easy to get access to in each government. E.g if on an area governments provide secondary education, then for this function a workload measure is determined. The best index to asses the necessary costs of schools in a jurisdiction can be the number of children between the age of 14 and 18. Another parameter of the workload measure - with the same or different weight - can take into consideration the level of poverty too, because it increases the costs of education. To get the representative expenditure for a category, the total outlays for that particular function at the level of the designated area is divided by the total value of the workload measure of the area.

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[8] The representative expenditures method was first elaborated by Robert W. Rafuse, Jr. in " Federal-State-Local Fiscal Relations: Technical Papers." Washington D.C., Department of the Treasury, Office of State and Local Finance, 1986.

This average cost per workload unit is similar to the average tax rate in the RTS. If we multiply the area wide value of the workload unit with the area average cost per workload unit with each function, we get the Representative Expenditures at the level of the designated area. E.g. in the case of education the total education outlays of all governments on the area is divided by the value of the workload measure which - in our example - is the weighted average of children between the age of 14 and 18 and the number of people living in poverty. That gives the cost/workload unit for education. If the average cost is multiplied with the number of workload measure units of a subordinate government on the designated area, the Representative Expenditures of that function in that subordinate government is calculated. The Representative Expenditures for all the functions are added and this number is divided by the total population of the jurisdiction which is the Representative Expenditure Index.

The Representative expenditure system works with basic assumptions. These are as follows:

- the prices of inputs to provide services are the same in all jurisdictions,[9]
- the effectiveness of the authorities is similar all over the country, which means that the differences in cost levels of public services are not due to the different level of effectiveness,

[9] This is a very restrictive condition, because inputs cost different amounts in different local jurisdictions.

- there are no economies of scale, which means that price of the provision of the public goods does not decrease with the increase in the number of goods supplied.

In the US the national level of the Representative Expenditures is calculated with the above mentioned method and divided by the number of the population. This index is compared with state indexes. State level Representative Expenditures are computed by multiplying the national average of cost/workload unit with the workload values in each state respectively. The RE divided by the number of the state population gives the state index. State indexes can be compared to the national index an with other state indexes to show the relative differences in expenditure needs among the states.

In the US Representative Expenditures of local governments are calculated and compared at the state level in some states.
The method of calculation is the same as described above with the difference that the average cost/workload unit is computed by dividing the total outlays on the state level with the value of the workload measure in the state. Local governments then use the state average cost/workload unit and multiply it with the value of the workload measure relevant to their jurisdictions. The Representative Expenditures received this way for each function is added and divided by the population. The RE index can be compared with the state index and with other local governments' indexes to

be able to compare fiscal capacities.

The representative expenditure of a local government shows how much it would cost for the jurisdiction to provide a certain service at state-wide average level.

The representative expenditure system on the state level can be best used to compare it to the expenditure levels of other jurisdictions to see whether the municipality has to spend more of its revenues to provide the same level of public services and can also be compared to the representative tax capacity to see how much percentage the local government can cover from its own tax sources. Comparisons among local governments in different states may lead to wrong conclusions because the mandatory functions and input costs of local jurisdictions differ from state to state. Within a state however the mandatory tasks of jurisdictions involved in the assessment are similar, therefore the Representative Expenditures of local governments are comparable.

The state of Maryland at present uses 22 functions to estimate representative expenditures in the state. Each function has one or more workload measures with different weight. The description of the workload measures can be found in Appendix E, while the computation of the cost/workload measure unit is presented in Appendix D. The RE-s computed for the counties of the sate of Maryland help us compare the Representative Tax Revenues and the

Representative Expenditures of Baltimore city, in part 3.3.

2.3 The applicability of the Representative Tax Revenue and the Representative Expenditure System in Hungary

In Hungary it would be inevitable to set up a system of Representative Revenues and Expenditures on the national level to evaluate whether local governments can cover the costs of the designated operation tasks from their revenues, and also to assess the disparities among local governments.

The Representative Revenue System should not only include taxes and user charges but also government transfers. The reason for that is that a big share of the operating budget of local municipalities is covered from government transfers. In the first step of the evaluation we could compare the Representative Tax Capacities of jurisdictions, completing the analysis with those revenues which local governments receive from the privatization of the state owned companies and assets, which does not exist as a revenue source in the US. In the second step - as in the case of Maryland in chapter 3.2 - the government transfers should be taken into account, and an assessment should be made whether grants eliminate or at least partly compensate for the fiscal disparities.

The number and types of taxes to be included in the computation in the US is based on looking at the practice of all local and state

governments and those taxes are chosen which most of the jurisdictions levy. However the choice among taxes in Hungary should not be based on whether most of the jurisdictions impose the tax or not, because this way we will not get a complex picture of the possibilities of local governments. Most municipalities in Hungary do not levy any local taxes or only a limited number of them, in spite of the fact that they could be introduced although only with certain legal restrictions.[10] However a number of local taxes should be chosen and included in the calculation of Representative Revenues of local governments of relatively similar size[11], on the basis of a concern that those taxes could easily yield some revenues but they are not introduced because of political concerns. For different size categories of local governments, different revenue categories should be chosen.

Income taxes and sales taxes should not be included in the analysis because they are levied uniformly in the whole country. The value added tax on small entrepreneurs, the property tax and licenses e.g are imposed with local discretion. It would be very important to include other revenues in the analysis too, such as the income from leasing, renting or sales of state owned property. These sources are especially important in some downtown districts of Budapest,

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[10] The Law on Local taxes restricts the regulations local governments can introduce concerning local taxes. In the case of the property tax e.g. the number and the level of exemptions is determined centrally which discourages localities to levy this type of tax.

[11] Smaller local governments - like villages - may not be able to impose those taxes which cities e.g. could.

which lead to extreme disparities among the different neighborhoods of the capital.

Also, the design of the Representative Tax Base should consider the legal possibilities of local governments. In the practice jurisdictions may not introduce tax bases which would allow them to gain a considerable yield, although they could. Here too, a difference has to be made between smaller local governments, like villages, and cities. The later ones have much bigger possibilities to extend their tax bases, therefore when designing the parameters of the Representative Tax Base for a village one has to consider, that the theoretical Tax Base for a small locality is limited.

The proposed changes in designing the taxes and the elements of the Representative Tax Bases included in the Representative Tax Capacity Analysis in Hungary would make the system more abstract. At the same time the total revenues from taxes which are not levied in the practice will have to be estimated, which will make the evaluation harder than the US system. However I believe that these modifications are necessary, because the latent disparities are much bigger than we could show on the basis of the existing budgets.

The Representative Expenditures can be compared at national level in Hungary. The functions undertaken by local municipalities are

very similar and comparable.[12]

The workload measures should be as simple as possible and defined considering the data available in the Census or other sources which are issued periodically. The total outlays of the functions can use the budget data of local governments collected by the Regional Headquarters of the Ministry of the Interior.

The necessary statistical sources are available to introduce the Representative Expenditure and Revenue System in Hungary. With the above mentioned changes in the definition of the categories included in the assessment, the representative method could be set up without delay.

3. The financial capacity of Baltimore

3.1 Baltimore's economic and financial situation

In the following chapter I analyze the economic, demographic and fiscal characteristics of Baltimore. The basic goal of my evaluation is to understand whether the fiscal capacity problems Baltimore has to face in the 90's are the result of a cyclical crisis or whether the one of a structural economic problem.

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[12] The mandatory tasks include the supply of potable water, primary education, basic health- and social services, social assistance,public cemeteries, ensuring the rights of national and ethnic minorities. Although the other functions are optional, most of the local governments provide the same set of public services.

Analysis of the statistical and the budget data help me to understand the trends in two dimensions. The changes of Baltimore city over time is evaluated, as well as the trends are compared to the ones in the Baltimore region and the state of Maryland.

I mainly focus on data which gives a basis for the calculation of Baltimore's Representative Expenditure and Revenue System.

Demographic situation

Baltimore city's population declined considerably since 1965.(Table A/1.), in 1990 there were 200,000 inhabitants less living in the city than in the 1960's. During the same period the population of the Baltimore region increased by about 25%, and the number of inhabitants in all jurisdictions in the region increased.

If we consider intrastate and interstate migration, we can see that the loss of the population is due to the moving of households to the newer suburban counties in Maryland (Table A/2.). More than half of the migrants to these new counties came from Baltimore city in the past 10 years.

An important index which suggests the hardship of Baltimore city to cover necessary expenditures is the number of female householders and disabled persons. The proportion of the population in Baltimore city is higher than that of the region in these indexes. (Table A/3.)

The number of people with high level of education in the population is a very important index too, which determines the capability of the population to adjust to the changes in the economic structure. The proportion of people who were over 25 years and completed less than the 9th grade was 1,5% in the city while it was only 0,8% in the region. The proportion of inhabitants with high school and higher degree is lower in the city (64,4%) than in the region (78,2%).[13]

Income and poverty

Baltimore's lag in income level and in income growth compared to the Baltimore region and Maryland is considerable. The median???? household income in Baltimore e.g. is hardly reaches the half of the regional average counting in 1989 constant dollars. (Table A/4.1) The city suburb personal income per capita ratio also shows a decline over time to the advantage of the suburbs.(Table A/4.2)

Also over time, the growth of income in the city decreased too. In Baltimore city the increase of the per capita income was 48% between 1960 and 1970. Between 1970 and 1980 the growth rate went down to 18% and in the last decade it was a bit higher, 20%.(Table A/4.3)

The number of persons in poverty is also significantly higher in the city (21,9 %) than in the region (10,1%) or in Maryland (8,3%).

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[13] Source: 1990 Census

The absolute increase in the poverty rate in Baltimore city has grown since 1960 from 15,2% to 21,9%, although the rate in 1990 shows a small decline compared to the 1980 data (22,4%). (Table A/5.)

The high level of poverty can be completed by the data of households living exclusively on social security (28,9%) and public assistance income (16,4%) (Table A/6.) and the level of the unemployment rate (Table A/7). Although the public assistant recipients decreased between 1970 and 1980, the share of these people in the total number of recipients in the state that live in Baltimore was still 60% in 1990[14]. The unemployment rate (7,7%) was the highest in the region in 1990 but in absolute terms the situation of the city has not worsened - but has not really improved either -since 1975 (9.2%).

Economy

The structural change of the economy at the national level had a very big effect on Baltimore city. The city lost many jobs in manufacturing between 1970 and 1990. The decline of jobs during the 20 years reached 59,000 and the total jobs offered dropped by half. The decrease in jobs was considerable in infrastructure, and in trade too. The jobs offered by the service sector grew significantly during the past 20 years, while the government posts have decreased since 1980. (Table A/8)

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[14] Source: Budget of Baltimore city FY 1990.

As Baltimore is a port city it is worth looking at the data which show the turn over of foreign goods in the port (Table A/9). Although the turn over increased a bit in value during the past 20 years, in constant dollars and weight it declined considerably.

This structural economic change has a very important implication to the income level of inhabitants. First of all the salaries paid in the service sector are much lower than those paid in manufacturing and as we saw, the share of new manufacturing jobs are much lower than they used to be. Secondly, to be able to revitalize Baltimore's economy and adjust it to the expectation of the new economic challenges, a high percentage of well educated people is needed which the city lacks.

A good indicator which measures the economic position of the city for investors is new construction. Non-residential new construction in current value increased the most in the office, commercial and institutional category, while it declined in the industrial development and utility development field. Overall, the added value - in current terms - per year was the highest in 1984 and the lowest in 1976 and 1989 during the past 20 years (Table A/10.1). The level shows considerable changes, and follows the regional pattern (Table A/10.2).

Baltimore's share in the assessed value of residential, commercial, business and other property types in the region dropped from 25 %

number of building permits between 1975 and 1991 (Table A/11).

The new residential construction in Baltimore (measured by the number of building permits issued in a year) is really low (200) compared to the level of the 60's and the 70's and to the trends of the region. (Table A.12.)

The low level of the new constructions and the slowing down of the economic growth rate in the 1990's caused significant losses in the property tax (the most important local tax) revenue of Baltimore's budget. Expectedly in 1994 and 1995 the revenues decrease in absolute terms too.The overall increase of the property tax base showed a slowing increase in the 90's but in 1994 the city budget planned an absolute decrease in the value..[15]

Only the convention and the tourism industry can be evaluated as healthy because they yield a relatively stable revenue to the city, although the city can not rely on them as a flexible revenue source because the fluctuations in the revenue do not necessarily follow the economic growth in Baltimore .

Revenues and expenditures in Baltimore's budget

Calculating in 1989 constant dollars, the total revenue of

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[15] Source: Board of Estimates Recommendations FY 1994. Operating and Capital Budget.

Baltimore is fluctuating, and in 1990 it did not reach the 1980 level. The change is mainly due to the dramatic decrease of federal grants in the budget from 33% of total revenues to 12,6%. The decline was levelled off by the increase of the state grants and local revenues (Table A/13).

The biggest revenue source of the operating budget is the property tax (about 25%). To yield an appropriate level of revenue, - in the lack of the increase in the base - Baltimore city imposes the highest tax rate in the region (Table A/14). Even so, this source does not yield a stable revenue, because the tax base goes down.

Income taxes - which amount to about 6.5% of the operating budget can not grow either, because the residential population decreases, and the level of wages and salaries in the city do not grow with the inflation, and with the expansion of the economy.

The other local taxes (the hotel, energy, and property transfer taxes) are not considerable, and they started to decrease also in 1994.

Utility charges revenues are increasing as the price goes up, but the yield goes to a separate fund which can only be spent for the maintenance and improvement of the particular utility system. (Table A/15.)

Briefly, the city's own sources can hardly yield the same revenues in the 90's as in the previous decades. The situation was not too much better in the 80's either, but between 1984 and 1987 the city recovered from the previous crisis.

Parallel with shaky budget revenues, Baltimore has to face high expenditures too, due to the high rate of unemployment, poverty and the related problems of crime, health and public service necessities, the deterioration of the housing stock. The city's expenditures per capita was the highest in the region in 1990 (Table A/16) even though it has declined since 1980.

The per capita expenditures by different functions (Table A/17) show that Baltimore's costs were only lower in the education. For all the other functions the city spent much more than the regional average.

To conclude, the causes of the fiscal problems of baltimore described above can be found in the difficulty of the city to retain the wealthier residential population and attract more business and to assure a stable property tax base and an increasing revenue from other local taxes.

Appendix A

Tables for chapter 3.1

TABLE A/1 POPULATION (1000 PERSONS)

	Regional Total	Anne Arundel	Balt. City	Balt. County	Carroll	Harford	Howard	Maryland	United States	Index Regional Total	Index United States
1960	1,803.7	206.6	939.0	492.4	52.8	76.7	36.2	3,101	180,671	83.0	79.3
1961	1,836.5	216.2	939.1	507.2	54.6	80.7	38.7	3,176	183,691	84.5	80.7
1962	1,870.5	226.3	939.1	522.4	56.5	84.9	41.4	3,263	186,538	86.0	81.9
1963	1,906.0	236.8	939.2	538.0	58.4	89.3	44.2	3,386	189,242	87.7	83.1
1964	1,942.9	247.8	939.2	554.1	60.4	94.0	47.3	3,492	191,889	89.4	84.3
1965	1,981.3	259.3	939.3	570.7	62.5	98.9	50.6	3,600	194,303	91.1	85.3
1966	2,014.4	269.3	938.7	585.6	64.3	103.1	53.4	3,695	195,560	92.7	85.9
1967	2,030.0	277.0	929.9	595.3	65.6	106.5	55.7	3,757	198,712	93.4	87.2
1968	2,043.5	284.3	920.4	604.3	66.8	109.7	58.0	3,815	200,706	94.0	88.1
1969	2,054.6	291.3	910.0	612.6	67.9	112.7	60.1	3,868	202,677	94.5	89.0
1970	2,071.0	298.0	905.8	620.4	69.0	115.4	62.4	3,923	205,052	95.3	90.0
1971	2,083.0	306.3	894.3	624.7	71.3	118.2	68.1	4,023	207,661	95.8	91.2
1972	2,096.0	314.8	883.0	629.1	73.6	121.1	74.4	4,073	209,896	96.4	92.2
1973	2,110.1	323.5	871.8	633.5	76.0	124.1	81.3	4,109	211,909	97.1	93.0
1974	2,125.5	332.5	860.8	637.9	78.4	127.1	88.7	4,133	213,854	97.8	93.9
1975	2,142.1	341.7	849.9	642.4	81.0	130.2	96.9	4,157	215,973	98.5	94.8
1976	2,147.2	347.3	836.9	645.0	83.9	133.2	100.9	4,172	218,035	98.8	95.7
1977	2,152.9	353.0	824.1	647.7	86.8	136.3	105.0	4,195	220,239	99.0	96.7
1978	2,159.3	358.9	811.4	650.3	89.9	139.4	109.4	4,212	222,585	99.3	97.7
1979	2,166.3	364.8	799.0	653.0	93.1	142.6	113.9	4,223	225,055	99.6	98.8
1980	2,174.0	370.8	786.8	655.6	96.4	145.9	118.6	4,217	227,757	100.0	100.0
1981	2,187.4	378.3	781.5	658.0	98.2	147.3	124.1	4,256	229,945	100.6	101.0
1982	2,189.7	382.0	771.1	661.2	100.0	148.1	127.3	4,272	232,171	100.7	101.9
1983	2,197.6	385.8	764.0	666.7	102.0	148.6	130.5	4,299	234,296	101.1	102.9
1984	2,210.1	392.0	759.0	666.0	105.2	151.1	136.8	4,347	236,343	101.7	103.8
1985	2,230.6	397.3	755.5	670.7	108.6	156.3	142.2	4,391	238,466	102.6	104.7
1986	2,252.4	403.1	751.6	674.9	111.4	161.2	150.3	4,461	240,658	103.6	105.7
1987	2,275.1	409.0	747.6	679.2	114.3	166.2	158.8	4,536	242,820	104.6	106.6
1988	2,298.6	415.0	743.7	683.5	117.2	171.3	167.8	4,622	245,051	105.7	107.6
1989	2,322.9	421.1	739.9	687.8	120.3	176.6	177.3	4,694	247,350	106.8	108.6
1990	2,348.2	427.2	736.0	692.1	123.4	182.1	187.3	4,781	249,890	108.0	109.7

Note: U.S. population includes military and federal employees stationed overseas.

Source: U.S. Census Bureau

BALTIMORE REGIONAL COUNCIL OF GOVERNMENTS ++ January 1992

TABLE A/2

COMPONENTS OF NET MIGRATION FOR MARYLAND BY JURISDICTIONAL GROUPINGS, 1980 - 1990
(Combining IRS and U.S. Bureau of the Census Data)

	IRS INTRA-STATE	+	IRS INTER-STATE	+	IRS FOREIGN*	=	IRS TOTAL	+	FOREIGN IMMIGRANTS#	=	TOTAL NET MIGRATION
MARYLAND	0		101,181		12,190		113,371		147,953		261,324
BALTIMORE CITY	(70,873)		(7,808)		(135)		(78,816)		8,925		(69,891)
OLDER SUBURBAN COUNTIES	(67,145)		84,707		6,006		23,568		128,595		152,163
ANNE ARUNDEL	13,099		(591)		4,763		17,271		3,873		21,144
BALTIMORE COUNTY	7,805		(9,453)		(107)		(1,755)		11,925		10,170
MONTGOMERY	(3,597)		49,106		(2,436)		43,073		74,092		117,165
PRINCE GEORGE'S	(84,452)		45,645		3,786		(35,021)		38,705		3,684
NEWER SUBURBAN COUNTIES	123,723		26,515		6,085		156,323		8,441		164,764
CARROLL	27,280		(3,585)		23		23,718		317		24,035
HARFORD	19,844		(1,364)		2,585		21,065		1,317		22,382
HOWARD	24,483		15,269		550		40,302		4,186		44,488
FREDERICK	13,832		3,971		443		18,246		1,210		19,456
CALVERT	12,782		1,108		99		13,989		114		14,103
CHARLES	12,964		3,190		1,486		17,640		559		18,199
SAINT MARY'S	4,078		26		820		4,924		432		5,356
CECIL	3,020		7,521		95		10,636		208		10,844
QUEEN ANNE'S	5,440		379		(16)		5,803		98		5,901
ALL OTHER COUNTIES	14,295		(2,233)		234		12,296		1,992		14,288
ALLEGANY	(1,130)		(3,475)		(18)		(4,623)		100		(4,523)
GARRETT	102		383		(31)		454		10		464
WASHINGTON	3,842		(4,187)		546		201		408		609
CAROLINE	2,729		(809)		(117)		1,803		82		1,885
KENT	232		301		(51)		482		346		828
TALBOT	1,377		1,640		(11)		3,006		164		3,170
DORCHESTER	(12)		(16)		(54)		(82)		120		38
SOMERSET	(293)		585		(70)		222		100		322
WICOMICO	3,684		2,155		17		5,856		502		6,358
WORCESTER	3,764		1,190		23		4,977		160		5,137

* IRS Foreign migration represents U.S. taxpayers moving to and from abroad. It does NOT represent foreign immigration.
# From the 1990 U.S. Census.

Prepared by the Maryland Office of Planning, Planning Data Services based on summary data prepared by the Internal Revenue Service (IRS) using the IRS individual Master File (IMF) of all Form 1040, 1040A and 1040EZ returns; and, the U.S. Bureau of the Census.

TABLE A/3

THE NUMBER OF FEMALE HOUSEHOLDERS AND THE NUMBER OF DISABLED PERSONS (1990 some counties in MD and Baltimore city)

	Female Householders	Disabled Persons (non-institutionalized)
Queen Anne c.	1,477	24,976
Somerset c.	1,343	3,879
Talbot c.	2,293	24,343
Washington c.	7,277	88,695
Baltimore city	58,820	559,656

Source: Regional economic Indicators. 1992. Baltimore Regional Council of Governments

TABLE A/4
MEDIAN HOUSEHOLD INCOME (CONSTANT 1989 DOLLARS)

	Regional Total	Anne Arundel	Balt. City	Balt. County	Carroll County	Harford County	Howard County	United States	Index Regional Total	Index United States
1959	21,734	24,808	18,738	25,948	18,400	21,618	24,231		69.0	
1960	22,153	25,431	18,942	26,619	18,877	22,401	24,411		70.3	
1961	22,667	26,172	19,223	27,414	19,440	23,303	24,688		72.0	
1962	23,197	26,937	19,510	28,235	20,023	24,244	24,971		73.6	
1963	23,741	27,727	19,804	29,085	20,626	25,225	25,260		75.4	
1964	24,301	28,544	20,104	29,964	21,250	26,250	25,556		77.1	
1965	24,892	28,675	20,423	30,903	22,760	24,388	28,805		79.0	
1966	25,677	29,726	20,747	31,880	24,141	25,930	31,115		81.5	
1967	26,487	30,816	21,077	32,888	25,607	27,570	33,611	23,810	84.1	88.7
1968	27,322	31,946	21,411	33,927	27,161	29,313	36,307	24,817	86.7	92.5
1969	28,153	33,117	21,752	35,000	28,810	30,500	39,219	25,812	89.4	96.2
1970	27,971	32,971	21,397	34,647	28,735	30,794	39,118	25,688	88.9	95.7
1971	27,966	33,051	21,186	34,463	28,814	30,791	39,124	25,503	88.8	95.0
1972	28,883	34,278	21,689	35,559	29,973	31,444	40,736	26,422	91.7	98.5
1973	29,639	34,794	21,778	36,082	30,670	31,830	41,753	27,093	94.1	101.0
1974	29,581	33,975	21,655	35,915	30,769	32,756	42,056	26,408	93.9	98.4
1975	29,103	34,792	21,116	35,098	30,963	31,729	41,575	25,821	92.4	96.2
1976	30,021	35,901	21,387	35,735	32,402	33,126	43,064	26,265	95.3	97.9
1977	30,409	36,355	21,248	35,673	33,236	33,840	43,860	26,456	96.5	98.6
1978	31,603	37,796	21,676	36,521	35,064	35,519	45,811	27,439	100.3	102.3
1979	31,755	37,983	21,459	35,475	35,776	36,159	46,251	27,573	100.8	102.8
1980	31,500	37,500	21,200	35,000	35,500	36,000	46,000	26,833	100.0	100.0
1981	31,250	37,300	21,100	34,900	35,400	35,900	45,900	26,529	99.2	98.9
1982	31,510	37,779	21,103	35,087	36,085	36,355	47,256	26,541	100.0	98.9
1983	32,000	38,500	21,150	35,500	37,500	37,000	50,000	26,538	101.6	98.9
1984	33,097	40,485	21,474	36,436	39,375	38,511	53,497	27,203	105.1	101.4
1985	33,968	41,771	21,745	37,148	40,152	39,041	54,195	27,688	107.8	103.2
1986	34,862	43,099	22,020	37,873	40,945	39,579	54,902	28,421	110.7	105.9
1987	35,779	44,469	22,298	38,613	41,753	40,125	55,618	28,451	113.6	106.0
1988	36,720	45,882	22,580	39,366	42,577	40,678	56,344	28,538	116.6	106.4
1989	37,686	47,340	22,865	40,135	43,418	41,238	57,079	28,906	119.6	107.7
1990	37,072	46,578	22,243	39,449	42,776	40,875	57,034	28,463	117.7	106.1

Sources: U.S. Census for U.S. data and Baltimore Region 1979; other data estimated by Regional Council staff.

TABLE A/4.2

PERSONAL INCOME

	Total Personal Income (millions of 1989$)			Personal Income per Capita (1989 $ per capita)		
	Balt. City	Suburban Total	Ratio: City/ Suburbs	Balt. City	Suburban Total	Ratio: City/ Suburbs
1959	7,165	7,652	93.6%	7,630	9,182	83.1%
1960	7,387	8,166	90.5%	7,866	9,444	83.3%
1961	7,645	8,750	87.4%	8,141	9,751	83.5%
1962	7,913	9,378	84.4%	8,426	10,069	83.7%
1963	8,191	10,052	81.5%	8,722	10,398	83.9%
1964	8,481	10,777	78.7%	9,029	10,738	84.1%
1965	8,892	11,381	78.1%	9,466	10,922	86.7%
1966	9,307	12,208	76.2%	9,915	11,349	87.4%
1967	9,627	12,963	74.3%	10,352	11,784	87.9%
1968	9,958	13,679	72.8%	10,820	12,180	88.8%
1969	10,280	14,929	68.9%	11,297	13,043	86.6%
1970	10,550	15,562	67.8%	11,647	13,355	87.2%
1971	10,785	16,364	65.9%	12,060	13,767	87.6%
1972	11,142	17,578	63.4%	12,618	14,491	87.1%
1973	11,307	18,892	59.8%	12,969	15,256	85.0%
1974	11,090	19,448	57.0%	12,883	15,378	83.8%
1975	10,888	19,665	55.4%	12,811	15,218	84.2%
1976	10,981	20,768	52.9%	13,122	15,850	82.8%
1977	10,934	21,717	50.3%	13,268	16,343	81.2%
1978	10,958	23,097	47.4%	13,504	17,136	78.8%
1979	10,961	23,782	46.1%	13,719	17,393	78.9%
1980	10,895	24,329	44.8%	13,848	17,537	79.0%
1981	11,022	24,886	44.3%	14,104	17,701	79.7%
1982	10,768	25,291	42.6%	13,965	17,828	78.3%
1983	10,941	26,294	41.6%	14,320	18,341	78.1%
1984	11,148	27,909	39.9%	14,688	19,233	76.4%
1985	11,324	29,436	38.5%	14,988	19,955	75.1%
1986	11,607	30,955	37.5%	15,444	20,625	74.9%
1987	11,563	32,493	35.6%	15,466	21,273	72.7%
1988	11,936	34,128	35.0%	16,049	21,950	73.1%
1989e	12,201	35,136	34.7%	16,491	22,195	74.3%
1990e	12,319	36,481	33.8%	16,738	22,628	74.0%

Sources: U.S. Bureau of Economic Analysis
Baltimore Regional Council of Governments estimates (e)

Table A/4.3

The changes of the personal per capita income in Baltimore city between 1960 and 1980

	Per capita income	% change
1960	7,866	
1970	11,647	21.9
1980	13,848	10.1
1990	16,738	8.3

Source: US Bureau of Economic Analysis, Maryland Department of Fiscal Services for Maryland, 1987-1990, Baltimore Regional Council of Governments

TABLE A/5

POVERTY RATE (%)

	Regional Total	Anne Arundel	Balt. City	Balt. County	Carroll	Harford	Howard	United States	Index Baltimore Region	Index United States
1959e	11.1%	8.2%	15.2%	4.9%	12.1%	10.4%	9.7%	22.1%	95.5	188.5
White	7.1%	6.8%	8.7%	4.7%	11.9%	8.7%	7.5%	18.1%		
Black	25.6%	16.4%	27.4%	8.7%	18.2%	26.3%	26.8%	55.1%		
1969	11.0%	6.7%	18.0%	4.5%	8.0%	7.4%	5.0%	12.1%	95.0	103.4
White	6.4%	5.2%	10.0%	4.2%	7.8%	6.1%	3.8%	9.5%		
Black	25.2%	18.9%	26.6%	13.2%	12.0%	21.7%	16.9%	32.2%		
1979	11.6%	6.0%	22.4%	5.2%	5.0%	7.3%	3.6%	11.7%	100.0	100.0
White	6.2%	4.5%	11.9%	4.6%	4.8%	5.9%	3.0%	9.0%		
Black	26.6%	16.9%	30.4%	10.7%	12.3%	21.8%	7.0%	31.0%		
Hisp.*	9.4%	11.0%	8.1%	9.6%	14.4%	12.3%	6.0%	21.8%		
1980								13.0%		111.1
1981								14.0%		119.7
1982				DATA NOT AVAILABLE				15.0%		128.2
1983								15.2%		129.9
1984								14.4%		123.1
1985				(Current Population Survey's sample size				14.0%		119.7
1986				is far too small for jurisdictional level estimates				13.6%		116.2
1987				and even for reliable regional estimates)				13.4%		114.5
1988								13.0%		111.1
1989								12.8%		109.4
White				Data will be available from 1990 Census in 1993				10.0%		
Black								30.7%		
Hisp.*								26.2%		

* Persons of Spanish origin may be of any race.
Total includes persons of other races, not shown separately.

Sources: U.S. Census Bureau, Current Population Reports, Series P-60, No. 161
(in National Center for Education Statistics, Digest of Education Statistics);
State and County Data Book, 1986; and Statistical Abstract of the U.S., 1990
Baltimore Regional Council of Governments staff estimates (e)

TABLE A/6

HOUSEHOLDS LIVING ON SOCIAL SECURITY AND PUBLIC ASSISTANCE INCOME

	Households with soc. sec.	Households with public assistance
Baltimore Metropolitan Region	215,646	67,812
Baltimore city	79,760 (28.9%)	45,390 (16.4%)
Baltimore county	71,417	11,106
Anne Aroundel c.	29,888	5,233
Harford c.	8,957	1,598
Caroll	9,754	1,503
Howard	8,957	1,598

Source: Regional Economic Indicators. 1992, Baltimore Regional Council of Governments.

TABLE A/7

UNEMPLOYMENT RATES

	Regional Total	Anne Arundel	Balt. City	Balt. County	Carroll	Harford	Howard	Maryland	United States	Index Regional Total	Index United States
1975	7.1	5.5	9.2	5.3	4.8	6.8	3.9	6.9	8.3	95.9	118.6
1976	7.4	5.8	9.6	5.5	5.0	7.1	4.1	6.7	7.6	100.0	108.6
1977	7.0	5.4	9.1	5.2	4.7	6.7	3.8	6.1	6.9	94.6	98.6
1978	6.4	4.8	8.0	6.3	4.9	5.3	3.8	5.6	6.0	86.5	85.7
1979	6.7	5.1	8.3	6.5	5.4	5.7	3.8	5.9	5.8	90.5	82.9
1980	7.4	5.3	9.1	7.7	6.3	6.3	3.8	6.5	7.0	100.0	100.0
1981	8.3	6.3	10.2	8.1	7.9	7.1	4.9	7.3	7.5	112.2	107.1
1982	9.8	7.4	11.5	10.1	9.4	9.1	5.6	8.4	9.5	132.4	135.7
1983	7.8	6.2	9.4	7.7	6.4	7.5	3.9	6.9	9.5	105.4	135.7
1984	6.2	4.7	7.7	6.1	4.8	6.3	3.2	5.4	7.4	83.8	105.7
1985	5.3	3.7	8.1	4.7	3.7	5.2	2.3	4.6	7.1	71.6	101.4
1986	5.2	3.5	8.1	4.4	3.7	4.8	2.1	4.5	6.9	70.3	98.6
1987	4.7	3.2	7.2	4.0	4.0	4.2	2.3	4.2	6.1	63.5	87.1
1988	4.9	3.3	7.6	4.3	3.2	4.6	2.5	4.5	5.4	66.2	77.1
1989	4.0	2.7	6.3	3.5	2.6	3.9	2.0	3.7	5.2	54.1	74.3
1990	5.1	3.5	7.7	4.5	3.8	5.0	2.8	4.6	5.4	68.9	77.1

Sources: Md. Dept. of Economic & Employment Development (DEED); U.S. Bureau of Labor Statistics

TABLE A/8

EMPLOYMENT BY SECTORS (1000 OF FULL AND PART-TIME JOBS)

BALTIMORE CITY

	1970	1975	1980	1985	1990	1970-80	1980-90
TOTAL	479.2	456.1	466.7	453.1	463.6	(12.5)	(3.1)
INFRASTRUCTURE	60.1	52.4	52.7	46.5	43.4	(7.4)	(9.3)
Farming	0.4	0.5	0.5	0.4	0.3	0.1	(0.2)
Construction	18.8	15.2	15.0	17.4	20.0	(3.8)	5.0
Utilities	40.9	36.7	37.2	28.7	23.1	(3.7)	(14.1)
MANUFACTURING	100.2	79.2	69.1	54.5	41.1	(31.1)	(28.0)
Durables	45.4	37.5	31.0	19.9	14.1	(14.4)	(16.9)
Non-durables	54.8	41.7	38.1	34.6	27.0	(16.7)	(11.1)
TRADE	100.3	89.7	85.7	86.0	78.7	(14.6)	(7.0)
Wholesale	27.5	26.3	25.1	25.8	26.7	(2.4)	1.6
Retail	72.8	63.4	60.6	60.2	52.0	(12.2)	(8.6)
SERVICES	137.6	143.6	157.2	184.0	213.5	19.6	56.3
Financial	33.0	34.3	36.2	41.3	40.9	3.2	4.7
Medical	24.6	30.8	35.8	43.3	53.0	11.2	17.2
Business	17.6	17.4	17.7	23.0	29.3	0.1	11.6
Hotels	1.9	1.7	2.0	3.3	7.1	0.1	5.1
Personal	10.8	7.6	7.8	7.8	8.2	(3.0)	0.4
Auto repair	4.4	3.6	4.0	5.2	4.4	(0.4)	0.4
Misc. repair	3.3	3.0	2.5	2.7	2.2	(0.8)	(0.3)
Movies	1.2	1.0	1.0	1.0	1.7	(0.2)	0.7
Recreation	2.2	2.0	1.6	2.4	3.0	(0.6)	1.4
Legal	3.8	4.2	5.9	8.1	9.1	2.1	3.2
Pvt. education	12.3	12.2	13.0	16.4	22.7	0.7	9.7
Social svcs.	2.6	4.8	7.0	7.9	8.1	4.4	1.1
Membership	9.4	10.5	10.8	8.8	8.8	1.4	(2.0)
Eng., acct., etc.	3.1	5.4	3.8	4.9	11.1	0.7	7.3
Pvt. household	7.2	4.9	7.9	7.8	3.7	0.7	(4.2)
Miscellaneous	0.2	0.2	0.2	0.1	0.2	(0.0)	0.0
GOVERNMENT	81.0	91.2	102.0	82.1	86.9	21.0	(15.1)
Local	41.2	44.7	50.0	34.4	40.0	8.8	(10.0)
State	15.2	23.0	32.1	32.6	32.0	16.9	(0.1)
Federal civilian	16.4	18.3	15.1	11.3	11.0	(1.3)	(4.1)
Federal military	8.2	5.2	4.8	3.8	3.9	(3.4)	(0.9)

Source: Baltimore Regional Council of Governments based on U.S. BEA and BLS data.

TABLE A/9

FOREIGN WATERBORNE TRADE BALTIMORE CITY

Value (millions of dollars)

	Port of Baltimore			United States Ports			Index Port of Baltimore	Index United States
	Total	Imports	Exports	Total	Imports	Exports		
1975	8,180	3,233	4,947	128,761	65,894	62,867	53.5	43.4
1976	8,249	3,075	5,174	152,012	85,602	66,410	54.0	51.2
1977	8,381	3,364	5,017	172,839	105,782	67,057	54.8	58.3
1978	11,343	4,898	6,445	197,920	118,865	79,055	74.2	66.7
1979	12,763	5,314	7,449	244,976	145,349	99,627	83.5	82.6
1980	15,289	6,245	9,044	296,670	174,400	122,270	100.0	100.0
1981	15,041	6,072	8,969	319,255	190,761	128,494	98.4	107.6
1982	14,224	5,668	8,556	283,216	163,171	120,045	93.0	95.5
1983	12,797	5,839	6,959	269,391	164,222	105,169	83.7	90.8
1984	14,630	8,973	5,657	307,949	201,677	106,272	95.7	103.8
1985	14,687	9,245	5,442	316,567	220,410	96,157	96.1	106.7
1986	15,527	10,775	4,752	324,482	230,821	93,661	101.6	109.4
1987	16,840	11,559	5,281	361,502	256,911	104,591	110.1	121.9
1988	18,179	11,660	6,579	400,682	267,807	132,875	118.9	135.1
1989	18,440	11,118	7,322	441,309	290,198	151,111	120.6	148.8
1990	16,594	10,336	6,258	463,961	302,874	161,087	108.5	156.4

Weight (millions of short tons of 2000 pounds each)

	Port of Baltimore			United States Ports			Index Port of Baltimore	Index United States
	Total	Imports	Exports	Total	Imports	Exports		
1975	36.2	22.4	13.9	722.0	451.1	270.9	98.2	80.3
1976	34.6	19.7	14.9				93.8	
1977	30.4	16.4	14.0				82.4	
1978	33.5	19.2	14.3				90.9	
1979	38.5	20.3	18.2	963.2	603.8	359.3	104.5	107.2
1980	36.9	15.2	21.7	898.7	495.4	403.3	100.0	100.0
1981	34.3	12.9	21.5	889.5	478.5	411.0	93.1	99.0
1982	30.7	9.8	20.8	787.2	384.1	403.1	83.2	87.6
1983	21.6	9.4	12.2	735.2	371.9	363.3	58.6	81.8
1984	25.0	13.9	11.1	793.6	417.0	376.6	67.8	88.3
1985	26.1	12.1	14.0	751.8	399.8	352.0	70.8	83.7
1986	24.7	14.2	10.5	785.1	454.3	330.8	67.0	87.4
1987	24.9	14.7	10.2	837.6	477.8	359.8	67.5	93.2
1988	28.8	16.8	12.0	918.4	517.4	401.1	78.2	102.2
1989	31.0	16.8	14.2	974.5	550.9	423.6	84.0	108.4
1990	25.0	12.8	12.2	967.4	554.1	413.3	67.8	107.6

Source: Maryland Port Administration, Foreign Commerce Statistical Report

TABLE A/10.1

NON-RESIDENTIAL NEW CONSTRUCTION

BALTIMORE CITY (millions of $)

	Total	Office	Commercial	Industrial	Institutional	Utility & Other
1975	60.9	NA	NA	NA	NA	NA
1976	35.5	NA	NA	NA	NA	NA
1977	61.2	NA	NA	NA	NA	NA
1978	122.0	NA	NA	NA	NA	NA
1979	76.1	NA	NA	NA	NA	NA
1980	96.2					
1981	84.6	5.4	12.4	9.5	16.7	40.6
1982	84.3	16.2	9.8	26.8	13.1	18.5
1983	55.0	18.3	11.5	5.3	19.2	0.8
1984	362.2	112.8	135.5	108.8	3.5	1.6
1985	120.1	34.7	41.1	38.9	5.4	0.0
1986	171.3	92.4	51.3	10.4	17.2	0.0
1987	92.4	28.9	33.2	5.1	25.2	0.0
1988	187.9	30.9	51.8	9.0	90.5	5.7
1989	47.5	8.8	14.9	9.0	13.5	1.3
1990	102.8	45.3	23.7	9.1	24.7	0.0

Source: Baltimore Regional Council of Governments

TABLE A/10.2

NON-RESIDENTIAL NEW CONSTRUCTION

(MILLIONS OF $)

									Index	
	Regional Total	Anne Arundel	Balt. City	Balt. County	Carroll	Harford	Howard	United States	Regional Total	United States
1975	176.5	10.0	60.9	47.0	17.2	13.1	28.3	44,309	63.3	56.3
1976	140.7	29.7	35.5	47.6	7.7	8.6	11.6	43,626	50.4	55.4
1977	135.8	18.4	61.2	30.2	4.3	6.2	15.5	45,449	48.7	57.7
1978	249.8	22.7	122.0	41.8	16.2	15.0	32.1	55,264	89.6	70.2
1979	221.4	36.2	76.1	72.3	13.4	0.7	22.7	69,393	79.4	88.2
1980	278.9	33.5	96.2	90.0	12.2	1.1	45.9	78,717	100.0	100.0
1981	220.7	45.4	84.6	42.5	5.2	6.9	36.1	89,226	79.1	113.4
1982	305.2	80.3	84.3	80.8	14.3	13.0	32.5	95,156	109.4	120.9
1983	240.3	53.4	55.0	76.9	8.9	4.1	42.1	92,269	86.2	117.2
1984	649.4	96.6	362.2	103.8	10.9	19.3	56.6	111,574	232.9	141.7
1985	537.8	157.6	120.1	124.0	9.5	26.1	100.5	131,316	192.8	166.8
1986	543.8	101.1	171.3	146.8	12.6	29.3	82.8	129,789	195.0	164.9
1987	468.3	103.5	92.4	115.4	15.6	21.3	120.3	133,924	167.9	170.1
1988	576.6	110.5	187.9	134.9	8.4	41.3	93.6	143,356	206.7	182.1
1989	404.2	85.0	47.5	87.7	23.5	68.8	91.7	153,555	144.9	195.1
1990	475.7	104.3	102.7	100.4	25.0	63.9	79.4	163,796	170.6	208.1

Note: Includes both public and private non-residential buildings; does not include military facilities.

Sources: Baltimore Regional Council of Governments building permit file
U.S. Census Bureau, Construction Reports, series C30
(in Statistical Abstract of the U.S., 1990, Table 1254)
U.S. Bureau of Economic Analysis, Business Statistics, 1961-88 (December 1989).

BALTIMORE REGIONAL COUNCIL OF GOVERNMENTS ++ January 1992

TABLE A/11

ASSESSED VALUE OF PROPERTY BY TYPE

	Regional Total	Anne Arundel	Balt. City	Balt. County	Carroll	Harford	Howard
Total FY91	46,322	9,997	9,440	15,526	2,490	3,083	5,786
Residential	23,282	5,607	3,697	7,745	1,406	1,876	2,951
Commercial	9,537	1,792	2,560	3,287	282	417	1,199
Business	9,512	1,534	2,427	3,369	494	400	1,288
Other	3,991	1,064	756	1,125	308	390	348
Total FY91	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Residential	50.3%	56.1%	39.2%	49.9%	56.5%	60.8%	51.0%
Commercial	20.6%	17.9%	27.1%	21.2%	11.3%	13.5%	20.7%
Business	20.5%	15.3%	25.7%	21.7%	19.8%	13.0%	22.3%
Other	8.6%	10.6%	8.0%	7.2%	12.4%	12.7%	6.0%
Total FY91	100.0%	21.6%	20.4%	33.5%	5.4%	6.7%	12.5%
Residential	100.0%	24.1%	15.9%	33.3%	6.0%	8.1%	12.7%
Commercial	100.0%	18.8%	26.8%	34.5%	3.0%	4.4%	12.6%
Business	100.0%	16.1%	25.5%	35.4%	5.2%	4.2%	13.5%
Other	100.0%	26.7%	18.9%	28.2%	7.7%	9.8%	8.7%
Total FY81	20,455	3,823	5,087	7,220	1,027	1,307	1,991
Residential	10,136	2,345	1,925	3,596	549	756	965
Commercial	3,784	530	1,142	1,438	109	174	391
Business	4,418	558	1,593	1,485	190	132	460
Other	2,117	390	427	701	179	245	175
Total FY81	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Residential	49.6%	61.3%	37.8%	49.8%	53.5%	57.8%	48.5%
Commercial	18.5%	13.9%	22.4%	19.9%	10.6%	13.3%	19.6%
Business	21.6%	14.6%	31.3%	20.6%	18.5%	10.1%	23.1%
Other	10.3%	10.2%	8.4%	9.7%	17.4%	18.7%	8.8%
Total FY81	100.0%	18.7%	24.9%	35.3%	5.0%	6.4%	9.7%
Residential	100.0%	23.1%	19.0%	35.5%	5.4%	7.5%	9.5%
Commercial	100.0%	14.0%	30.2%	38.0%	2.9%	4.6%	10.3%
Business	100.0%	12.6%	36.1%	33.6%	4.3%	3.0%	10.4%
Other	100.0%	18.4%	20.2%	33.1%	8.5%	11.6%	8.3%

Source: Maryland Department of Assessments, Annual Report

BALTIMORE REGIONAL COUNCIL OF GOVERNMENTS ++ January 1992

TABLE A/12

HOUSING CONSTRUCTION

1000 OF UNITS PERMITTED

	Regional Total	Single Family	Multi-Family	Anne Arundel	Balt. City	Balt. County	Carroll County	Harford County	Howard County	Maryland	United States	Index Regional Total	Index United States
1965	16.0	8.4	7.7	3.2	2.7	7.6	0.8	1.2	0.6	NA	1,240	195.1	104.1
1966	17.2	6.9	10.2	3.6	3.1	7.6	0.7	1.3	0.8	NA	972	208.8	81.6
1967	15.0	7.3	7.7	3.3	1.6	6.6	0.7	1.8	1.0	NA	1,141	182.5	95.8
1968	14.3	6.7	7.6	3.1	3.3	4.4	0.6	1.2	1.7	NA	1,353	174.2	113.6
1969	15.4	7.5	7.9	3.4	1.4	6.3	0.5	1.5	2.3	NA	1,324	187.8	111.2
1970	16.7	5.9	10.7	4.1	1.3	6.2	0.7	1.5	2.9	NA	1,352	202.5	113.5
1971	21.8	9.3	12.5	5.4	2.7	6.5	1.0	2.1	4.1	NA	1,925	264.4	161.6
1972	26.3	12.4	13.9	5.8	1.4	11.4	1.3	3.4	3.0	54.6	2,219	320.2	186.3
1973	23.0	11.2	11.8	5.7	1.9	8.4	1.4	2.8	2.8	48.3	1,820	279.5	152.8
1974	12.8	8.7	4.0	3.6	0.7	4.3	1.2	0.7	2.1	23.3	1,074	155.0	90.2
1975	10.7	7.3	3.4	2.7	1.3	3.6	1.0	1.1	1.0	19.7	939	129.8	78.8
1976	14.8	11.7	3.1	4.5	1.5	3.3	1.5	1.7	2.1	27.0	1,296	179.6	108.8
1977	15.4	11.7	3.6	3.5	0.9	5.4	1.5	1.6	2.4	30.4	1,690	186.8	141.9
1978	14.4	10.8	3.5	3.6	1.3	5.1	1.6	1.3	1.5	39.4	1,800	174.4	151.1
1979	12.7	9.5	3.2	2.6	0.9	4.7	1.0	1.1	2.5	26.7	1,552	154.3	130.3
1980	8.2	6.9	1.3	2.4	0.8	2.4	0.6	0.7	1.3	20.3	1,191	100.0	100.0
1981	6.5	5.1	1.4	1.6	0.7	1.6	0.5	0.7	1.3	17.1	986	79.6	82.8
1982	8.6	6.3	2.3	2.2	1.3	2.4	0.7	0.6	1.5	21.1	1,000	104.8	84.0
1983	16.1	13.4	2.8	5.1	0.7	4.3	1.5	1.6	3.0	39.8	1,605	196.1	134.8
1984	16.8	13.1	3.7	3.7	1.1	5.7	1.4	1.7	3.3	38.6	1,682	204.5	141.2
1985	18.8	14.9	3.9	4.4	0.9	6.4	1.5	2.1	3.5	42.1	1,733	228.0	145.5
1986	18.4	14.5	3.9	3.9	0.2	6.1	1.6	2.6	4.0	42.4	1,769	223.4	148.6
1987	17.4	13.9	3.4	3.8	0.3	4.6	1.8	2.7	4.2	41.1	1,535	211.2	128.9
1988	17.7	13.9	3.9	3.4	0.7	5.2	1.4	3.0	4.1	39.6	1,456	215.2	122.2
1989	16.9	12.2	4.6	2.6	0.7	4.2	1.3	2.8	5.3	40.6	1,338	204.9	112.4
1990	13.1	9.1	4.0	3.8	0.2	4.3	1.0	2.5	1.3	32.0	1,111	159.4	93.3

Sources: U.S. Bureau of Economic Analysis, Business Statistics, 1961-88 (December 1989)
U.S. Census Bureau, Current Construction Report C20-9007 (August 1990)
Maryland Department of Economic and Employment Development, Maryland Statistical Abstract, 1990-91
Baltimore Regional Council of Governments building permit file

TABLE A/13

LOCAL GOVERNMENT REVENUES BY SOURCE BALTIMORE CITY

Millions of 1989 dollars

	TOTAL	LOCAL REVENUES	Property Taxes	Income Taxes	Other Taxes	INTER-GOV'T	Federal	State	OTHER REVENUES*
FY80	2,373	641	337	119	185	1,374	784	590	358
FY81	2,438	605	326	106	172	1,326	782	544	507
FY82	2,198	594	321	107	166	1,260	688	569	345
FY83	2,108	612	331	104	177	1,126	606	520	370
FY84	1,922	648	336	104	208	920	398	522	353
FY85	1,848	676	359	110	207	923	411	511	250
FY86	2,112	707	385	113	208	904	377	527	502
FY87	2,004	728	394	114	220	928	379	549	348
FY88	1,981	782	413	134	234	910	364	546	289
FY89	2,055	779	425	114	239	872	286	579	405
FY90	2,086	773	426	117	230	906	264	632	407

* Service charges, fines and forfeitures, miscellaneous and debt proceeds.

Source: Department of Fiscal Services, Local Government Finances in Maryland

BALTIMORE REGIONAL COUNCIL OF GOVERNMENTS ++ January 1992

TABLE A/14

NOMINAL PROPERTY TAX RATES

	Assessment Rate on Market Value	Anne Arundel*	Balt. City	Balt. County	Carroll **	Harford *	Howard	Maryland
1965	60.0%	2.05	4.14	2.92	2.00	1.83	2.25	0.18
1966	60.0%	2.83	4.45	3.17	2.00	2.00	2.35	0.15
1967	60.0%	2.86	4.73	3.52	2.00	2.15	2.55	0.17
1968	60.0%	2.89	4.42	3.49	2.10	2.05	2.55	0.17
1969	60.0%	2.89	4.74	3.47	2.30	2.16	2.60	0.20
1970	60.0%	3.00	4.94	3.47	2.30	2.65	2.75	0.18
1971	60.0%	3.00	5.34	3.56	2.30	2.77	2.85	0.18
1972	60.0%	3.25	5.65	3.75	2.52	2.77	2.75	0.21
1973	60.0%	3.12	5.86	3.85	2.65	2.82	2.75	0.21
1974	50.0%	2.59	5.83	3.29	2.56	2.66	2.50	0.21
1975	50.0%	1.81	6.09	3.29	2.50	2.54	2.25	0.21
1976	50.0%	2.30	6.02	3.21	2.50	2.90	2.44	0.23
1977	47.5% *	2.60	5.88	3.11	2.50	2.97	2.49	0.23
1978	47.5% *	2.42	5.99	3.11	2.40	2.75	2.63	0.20
1979	47.5% *	2.15	5.97	3.05	2.15	2.44	2.43	0.20
1980	46.8%	2.15	5.95	2.93	1.93	2.41	2.28	0.20
1981	46.8%	2.23	5.93	2.93	2.12	2.43	2.23	0.21
1982	45.6%	2.46	5.97	2.98	2.12	2.55	2.45	0.21
1983	44.3%	2.31	5.96	2.95	2.04	2.55	2.39	0.21
1984	43.5%	2.68	5.99	2.99	2.04	2.73	2.57	0.21
1985	43.5%	2.68	6.00	3.13	2.08	2.73	2.54	0.21
1986	43.5%	2.57	6.00	3.00	2.06	2.73	2.49	0.21
1987	43.5%	2.51	6.00	2.89	2.03	2.73	2.27	0.21
1988	43.2%	2.51	6.00	2.86	2.08	2.73	2.49	0.21
1989	42.5%	2.51	6.00	2.90	2.23	2.73	2.49	0.21
1990	40.9%	2.46	5.95	2.90	2.35	2.73	2.45	0.21

* Average rate; residential owner-occupied 45%; all other property 50%.
** Municipal rates may be different in these counties

Source: Maryland Department of Assessments and Taxation, Annual Report.

TABLE A/15

THE MAIN REVENUES OF BALTIMORE CITY BETWEEN 1988-1994
(in million dollars)

	1988	1989	1990	1991	1992	1993	1994
Total	1.723	1,906	2.019	2.006	n.d.	n.d.	2.165
Local taxes	n.d.	n.d	n.d	n.d	645.3	666.9	666.9
Property tax	373.1	409.4	436.7	453.8	n.d.	n.d.	475.8
Prop. tax base (billion	6.355	6.963	7.427	7.783	n.d	8.230	8.228
Income tax	110.3	115.3	116.7	119.5	114.7	121.6	123.6
Hotel tax	5.2	5.8	6.4	7.9	7.8	8	7.9
Energy tax	17.0	15.4	n.d	n.d	15.4	15.0	14.3
Transfer tax	12.5	13.8	13.2	12.3	9.4	9.5	9.7
Util. fees	116.7	122.2	132.4	130.2	130.2	151.7	156.2
State grants	546	579	632	n.d.	n.d.	?	?
Feder. grants	364	286	264	197.9	n.d.	291	288.5
CDBG	n.d	22.7	21.6	24.2	24.0	27.8	28.4

Source: Annual budgets of Baltimore for FY 1988-1994

TABLE A/16

LOCAL GOVERNMENT EXPENDITURES PER CAPITA (1989 $ PER CAPITA)

Fiscal Year	Regional Total	Anne Arundel	Balt. City	Balt. County	Carroll County	Harford County	Howard County	Maryland	United States	Index Regional Total	Index United States
1960	618	393	786	467	340	377	430	565		30.5	
1961	646	422	807	523	355	406	464	597		31.9	
1962	706	458	906	546	372	427	490	644		34.9	
1963	719	495	913	574	397	427	508	665		35.5	
1964	758	554	962	606	403	459	543	692		37.4	
1965	814	560	1,042	660	440	506	616	753		40.2	
1966	883	635	1,141	700	451	560	670	807		43.6	
1967	975	709	1,281	754	491	607	741	883		48.1	
1968	1,106	794	1,479	836	548	701	834	996		54.6	
1969	1,189	834	1,593	912	582	778	966	1,083		58.7	
1970	1,288	942	1,737	972	645	825	1,065	1,173		63.6	
1971	1,405	1,034	1,905	1,084	724	920	1,209	1,313		69.3	
1972	1,462	1,127	1,998	1,128	811	998	1,317	1,369	1,551	72.2	84.7
1973	1,785	1,428	2,491	1,298	987	1,221	1,744	1,642	1,605	88.1	87.7
1974	1,883	1,455	2,664	1,348	1,308	1,245	1,840	1,717	1,624	93.0	88.7
1975	2,068	1,625	2,967	1,440	1,528	1,444	1,682	1,847	1,713	102.1	93.5
1976	1,978	1,487	2,874	1,404	1,335	1,194	1,790	1,784	1,783	97.7	97.3
1977	1,874	1,424	2,654	1,391	1,132	1,482	1,688	1,734	1,799	92.5	98.2
1978	2,092	1,432	3,275	1,394	1,112	1,417	1,611	1,878	1,825	103.3	99.6
1979	2,028	1,391	3,188	1,347	1,129	1,332	1,665	1,851	1,829	100.1	99.9
1980	2,026	1,415	3,017	1,518	1,239	1,287	1,764	1,819	1,831	100.0	100.0
1981	2,006	1,383	2,961	1,515	1,147	1,305	1,958	1,811	1,817	99.0	99.2
1982	1,872	1,301	2,778	1,403	1,054	1,267	1,809	1,722	1,801	92.4	98.3
1983	1,873	1,344	2,760	1,432	1,082	1,280	1,750	1,721	1,829	92.5	99.9
1984	1,776	1,306	2,510	1,434	1,086	1,215	1,835	1,640	1,867	87.7	101.9
1985	1,797	1,404	2,520	1,448	1,114	1,193	1,785	1,665	1,925	88.7	105.1
1986	1,847	1,411	2,568	1,553	1,101	1,231	1,823	1,730	2,029	91.2	110.8
1987	1,923	1,465	2,709	1,611	1,233	1,231	1,864	1,807	2,081	94.9	113.6
1988	1,980	1,609	2,774	1,616	1,325	1,319	1,920	1,873	2,114	97.7	115.4
1989	1,971	1,655	2,623	1,688	1,394	1,387	2,024	1,900	2,204	97.3	120.3
1990	2,041	1,741	2,716	1,723	1,475	1,460	2,149	1,991		100.8	

Note: Data is for counties only, not including municipalities; includes debt service payments
Local government expenditures = Total operations (operating + capital) + expenditures by boards (education, community colleges, social services, health, library).

Sources: Maryland Department of Fiscal Resources, Local Government Finances in Maryland (annual)
U.S. Census Bureau, Government Finances (annual)

BALTIMORE REGIONAL COUNCIL OF GOVERNMENTS ++ January 1992

TABLE A/17

LOCAL EXPENDITURES PER CAPITA
(1000 of dollars)

Type	Baltimore city	Region
Total	2.081.7	2793.4
General gov't.	151.6	229
Public safety	265.2	439.1
Public works	297.1	436.8
Health and Welfare	273.9	567.8
Education, Recreation	886.2	804.2
Housing and Development	68.9	163.7
Other	138.9	152.9
-Debt serv.	97.7	125.8

Source: Regional Economic Indicators. 1992. Baltimore Regional Council of Governments

3.2 The Representative Tax System in Baltimore

In Maryland both the tax capacity and the tax effort index calculations are prepared annually for about ten years by the Maryland Department of Fiscal Services on the basis of the above described method developed by ACIR.

The revenues of counties and Baltimore city are published each year in the report on "Local Government Finances in Maryland."[16] The analysis calculates the Representative Revenues of the counties and Baltimore city including the revenues of eight taxes (see footnote 7), calculates the RE index and presents a combined index too, in which it includes the state grants. Federal and state grants amount to 34% of local revenues in Maryland, out of which 27% is state grant. The federal grants are excluded from the analysis.[17] The calculation includes the following steps.

First for each of the eight taxes and the user fees the representative tax base is worked out. The representative tax base elements are listed in the box below.

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[16] The report is required by state law and includes uniform information.

[17] The Department of Fiscal Services does not include the federal grants in its calculation. The reason behind it, according to their study (" Fiscal Capacity and Effort of Local Governments in Maryland.") is that " it inaccurately reflects the local impact." Although this justification is not clear, I was not able to get the necessary data to include federal grants. Therefore I only included it into the calculation of the Representative Tax Capacity of Baltimore city.

Representative Tax Bases in Maryland

Property Tax
1. Real property
2. Tangible property
3. Operating property of railroads, contract carriers and other engaged in interstate commerce
4. Operating property of public utilities and certain transportation property
5. Stock in trade of manufacturing or commercial business
6. Certain leasehold interests

Income tax
The state income tax base

Admissions and Amusement tax
1. Admissions to any place furnishing a performance (movie, theater, sports stadium)
2. The use or rental of sporting or recreational facilities
3. A cover charge for seats or tables, refreshment, service or merchandise at any roof garden, cabaret, nightclub, or similar place furnishing a performance.

Recordation Tax
Each value of transactions

Property Transfer Tax
Instruments transferring titles to or leasehold interest in real property.

Local sales tax
Taxable revenue of telephone, gas, electricity companies and hotels/motels.

Waste, water and sewer fees
1. Front foot assessments: taxes for front Foot Benefits
2. Sanitation and waste removal (connection, collection, removal, disposal)
3. Water service charge
4. Water connection charge
5. Miscellaneous

The state representative average rate is counted by dividing the total actual revenues by the total representative tax base of all counties and Baltimore city. The total value of the representative tax base and the total outlays on the state level and on the county level are shown in Appendix B., Tables B/1-8 after this chapter.

The local tax capacity is computed by applying the representative tax rate to the local values of the representative tax bases for the eight taxes and user fees.

The representative rates for the different taxes and the representative yield of Baltimore city is calculated in Appendix D after this chapter.
The result for Baltimore is shown in the table below.

Baltimore's tax capacity in 1989

Tax	Tax base (in thousand)	Average Tax Rate	RTC[18]
Property tax	7,044,103	0.030	214,002,180
Income tax	4,704,813	0.023?	109,374,660
Sales tax on utilities	698,353	0.021	14,783,923
Hotel tax	59,692	0.049	2,924,933
Transfer tax	761,298	0.011	8,374,278
Record. tax	1,483,475	0.005	7,417,375
Admissions and amusement tax	67,480	0.066	4,453,695
Water and sewer fees	7,044,103	0.008	57,150,216
Total capacity			418,481,260

The tax capacities of the counties are compared with each other using the division of the per capita representative tax yield at the state level and at the local level. (The representative tax yield is divided by the total number of the population.) The index is shown on Tables B/1-8.

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[18] Representative Tax Capacity

The total capacity index of the jurisdictions are computed by dividing the total representative yield by the number of the total population for the locality and for the state too. The index is the division of the two numbers. The total capacity of Baltimore is shown below, the capacities of other counties are shown on Table B/9.

The representative tax yield of Baltimore is: 418,481,260
The population in 1989 was: 747,000
The total capacity per capita: 560.22
The State capacity per capita is: 4,666,078,260 / 4,622,000 = 1,009.98
The per capita capacity index is: 560.22/1,009.98 = 55,4%

Table B/9 shows, that compared to the state average Baltimore city has the lowest capacity in Maryland with 56%. It also shows that Baltimore city has the highest tax effort in the state which is nearly twice as high as 18 of the other 23 jurisdictions.

In the second step the state grants are also taken into consideration. By including state aid we get a picture on how this grant changes the fiscal disparities. Unfortunately federal grants are not included in the study, as already mentioned above. State grants include shared taxes like the alcohol, tobacco, and transportation taxes, and the direct grants for different purposes like education, police etc. Total state transfers are just added to

the total value of the tax yield, which gives a combined representative revenue system. The combined index is calculated like in the case of taxes: the per capita state aid at the state level is divided by the local per capita state aid. Table B/10. shows, that state grants reduce disparities, but even so, the combined index in Baltimore city remains the lowest.

State transfers

to Baltimore[19] 453,011,864

Combined tax yield 871,493,124

Per capita combined yield: 1166.68

Per capita combined state yield: 6,925,432,597 / 4,622,000 = 1498.36

Index: 77.9%

For Baltimore the total amount of federal grants can be added to the total tax yield which was $286,000,000 in 1989. This amount can not be compared with the other counties, because we do not have information on their federal grants revenues, but can be useful to compare the city's capability to cover operating expenditures from the three types of sources altogether.

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[19] State aid to Baltimore city was adjusted downwards in the calculation. The reason behind that was that the city provides some portion of the high way maintenance, police and parks itself which the state reimburses. The other counties do not have these responsibilities, the state directly delivers these services therefore they do not appear in the total amount of the state grants. The adjustment lowers the city's capacity index by about 3%.

If we look at the actual tax yield and compare it to the representative yield, we get the tax effort of the jurisdiction. The results of the tax effort calculation is shown in table 9.

The process of calculation of the tax effort for Baltimore city:

1. Total actual tax yield = 688,503,634
2. Total representative tax yield = 418,481,260
3. The tax effort is : 1./2.= 164%

It is not surprising, that Baltimore city has the highest tax effort in Maryland, with 164%[20] The high tax effort can be explained by the high level of property tax rate which is more than twice as much as in the other counties. Other taxes are in the higher range too.[21]

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[20] The state wide tax effort is 100%, because the representative tax yield equals the actual yield.

[21] The property transfer tax is 1.5% , while the state average is less than 1%. The hotel tax is 6% - the highest rate applied. Energy taxes are incomparable because some counties levy in rem taxes.

APPENDIX B

Tables for the Calculation of the Representative Revenues

TABLE B/1

TAX CAPACITY DATABASE - PROPERTY TAX - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	865,257,000	22,995,337	309.08	68	87
ANNE ARUNDEL	7,502,223,000	191,871,404	455.10	104	84
BALTIMORE CITY	7,044,103,000	415,563,534	556.31	55	194
BALTIMORE COUNTY	11,367,826,000	314,081,519	460.19	97	91
CALVERT	1,515,874,000	34,160,630	704.34	182	74
CAROLINE	271,330,000	7,774,315	306.08	62	94
CARROLL	1,718,973,000	40,952,233	342.12	84	78
CECIL	872,559,000	24,110,137	340.06	72	91
CHARLES	1,662,485,000	36,730,269	379.05	100	73
DORCHESTER	420,373,000	10,992,488	362.79	81	86
FREDERICK	2,159,809,000	58,058,928	410.60	89	88
GARRETT	439,937,000	10,362,123	388.09	96	78
HARFORD	2,301,459,000	65,621,063	388.75	79	94
HOWARD	3,958,694,000	106,854,154	646.03	139	89
KENT	283,908,000	6,335,525	368.34	96	73
MONTGOMERY	19,445,889,000	567,890,309	798.50	159	96
PRINCE GEORGE'S	10,868,458,000	343,427,724	494.78	91	104
QUEEN ANNE'S	582,698,000	12,965,113	403.90	106	73
ST. MARY'S	950,721,000	22,010,260	305.70	77	76
SOMERSET	216,408,000	4,854,683	246.43	64	74
TALBOT	757,392,000	9,259,676	330.70	157	40
WASHINGTON	1,401,873,000	35,783,220	303.25	69	84
WICOMICO	1,025,542,000	25,573,883	353.72	83	82
WORCESTER	1,747,123,000	43,389,908	1,144.85	268	82
	79,380,914,000	2,411,618,435			

Source: Fiscal Capacity and Effort of Locla Governments in Maryland. Department of Fiscal Services. Annapolis, MD. June 1991.

TABLE B/2

TAX CAPACITY DATABASE - INCOME TAX - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	478,305,070	10,934,866	146.97	59	100
ANNE ARUNDEL	4,799,744,205	113,333,706	268.82	104	100
BALTIMORE CITY	4,704,813,162	106,146,539	142.10	58	100
BALTIMORE COUNTY	8,567,535,543	202,382,508	296.53	115	100
CALVERT	531,217,475	4,994,473	102.98	100	40
CAROLINE	182,985,152	4,125,421	162.42	66	100
CARROLL	1,255,622,096	29,394,139	245.57	96	100
CECIL	569,776,482	13,198,559	186.16	73	100
CHARLES	945,317,978	22,123,825	228.32	89	100
DORCHESTER	215,655,028	4,813,533	158.86	65	100
FREDERICK	1,488,372,704	34,896,750	246.79	96	100
GARRETT	156,783,407	3,551,543	133.02	54	100
HARFORD	1,758,775,172	41,304,037	244.69	95	100
HOWARD	2,558,248,768	61,096,899	369.39	141	100
KENT	150,297,421	3,474,961	202.03	80	100
MONTGOMERY	12,066,763,166	289,466,707	407.01	155	100
PRINCE GEORGE'S	6,851,152,346	159,726,042	230.12	90	100
QUEEN ANNE'S	328,258,927	7,674,830	239.09	94	100
ST. MARY'S	551,615,509	12,804,847	177.85	70	100
SOMERSET	104,368,836	2,282,388	115.86	48	100
TALBOT	396,447,351	8,430,998	301.11	129	91
WASHINGTON	944,344,247	21,772,969	184.52	73	100
WICOMICO	612,412,256	14,036,893	194.15	77	100
WORCESTER	318,730,368	2,899,818	76.51	77	39
	50,537,542,669	1,174,867,251			

Source: Ibid.

TABLE B/3

TAX CAPACITY DATABASE - SALES TAX ON UTILITIES - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	62,783,377	0	.00	87	0
ANNE ARUNDEL	410,901,828	9,214,441	21.86	101	106
BALTIMORE CITY	698,353,208	27,200,491	36.41	97	184
BALTIMORE COUNTY	722,377,592	24,035,953	35.22	109	157
CALVERT	29,383,737	0	.00	63	0
CAROLINE	37,428,107	0	.00	152	0
CARROLL	85,735,481	0	.00	74	0
CECIL	67,256,409	0	.00	98	0
CHARLES	62,985,375	0	.00	67	0
DORCHESTER	27,459,967	0	.00	94	0
FREDERICK	159,544,942	0	.00	117	0
GARRETT	21,529,948	1,953	.07	83	0
HARFORD	131,098,402	0	.00	80	0
HOWARD	190,616,352	0	.00	119	0
KENT	11,907,918	0	.00	72	0
MONTGOMERY	782,842,443	12,592,538	17.71	114	76
PRINCE GEORGE'S	651,177,554	21,571,297	31.08	97	156
QUEEN ANNE'S	21,081,110	0	.00	68	0
ST. MARY'S	49,957,617	0	.00	72	0
SOMERSET	15,740,016	0	.00	83	0
TALBOT	11,521,987	0	.00	43	0
WASHINGTON	88,877,241	0	.00	78	0
WICOMICO	70,697,886	0	.00	101	0
WORCESTER	58,146,828	0	.00	159	0
	4,469,405,325	94,616,673			

Source: Ibid.

TABLE B/4

TAX CAPACITY DATABASE - SALES TAX ON HOTELS AND MOTELS - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	3,651,523	93,070	1.25	48	52
ANNE ARUNDEL	45,139,411	2,588,293	6.14	106	117
BALTIMORE CITY	59,692,512	6,119,418	8.19	79	210
BALTIMORE COUNTY	42,574,561	3,074,612	4.50	62	148
CALVERT	3,410,944	0	.00	69	0
CAROLINE	56,322	0	.00	2	0
CARROLL	2,232,580	0	.00	18	0
CECIL	5,327,033	0	.00	74	0
CHARLES	7,227,407	322,787	3.33	74	91
DORCHESTER	1,379,460	0	.00	45	0
FREDERICK	10,228,689	0	.00	72	0
GARRETT	7,636,918	192,221	7.20	282	51
HARFORD	12,661,302	0	.00	74	0
HOWARD	13,519,922	0	.00	81	0
KENT	1,538,252	0	.00	88	0
MONTGOMERY	60,337,034	3,757,470	5.28	84	127
PRINCE GEORGE'S	51,801,499	3,035,397	4.37	74	120
QUEEN ANNE'S	850,597	0	.00	26	0
ST. MARY'S	2,994,970	0	.00	41	0
SOMERSET	919,440	0	.00	46	0
TALBOT	4,214,811	240,361	8.58	149	117
WASHINGTON	12,840,818	0	.00	107	0
WICOMICO	8,873,975	86,309	1.19	121	20
WORCESTER	109,230,063	3,387,824	89.39	2847	63
	468,340,043	22,897,762			

Source: Ibid.

TABLE B/5

TAX CAPACITY DATABASE - PROPERTY TRANSFER TAX - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	99,638,800	0	.00	40	0
ANNE ARUNDEL	1,530,917,600	12,094,997	28.69	107	72
BALTIMORE CITY	761,298,400	13,852,983	18.54	30	165
BALTIMORE COUNTY	1,664,458,200	30,820,066	45.16	72	168
CALVERT	186,510,000	0	.00	114	0
CAROLINE	43,046,800	0	.00	50	0
CARROLL	405,589,000	0	.00	100	0
CECIL	186,872,600	9,435	.13	78	0
CHARLES	392,890,000	0	.00	120	0
DORCHESTER	55,722,600	0	.00	54	0
FREDERICK	719,843,000	0	.00	151	0
GARRETT	82,451,400	0	.00	91	0
HARFORD	524,086,600	0	.00	92	0
HOWARD	1,139,576,000	12,100,216	73.16	204	96
KENT	73,134,000	294,572	17.13	126	37
MONTGOMERY	4,544,455,600	51,418,256	72.30	189	103
PRINCE GEORGE'S	1,986,721,000	50,291,514	72.46	85	230
QUEEN ANNE'S	139,545,800	0	.00	129	0
ST. MARY'S	158,337,600	0	.00	65	0
SOMERSET	25,385,600	0	.00	38	0
TALBOT	182,548,400	1,327,576	47.41	193	66
WASHINGTON	259,205,000	0	.00	65	0
WICOMICO	136,626,600	0	.00	56	0
WORCESTER	328,864,800	0	.00	257	0
	15,627,725,400	172,209,615			

Source: Ibid.

TABLE B/6

TAX CAPACITY DATABASE - RECORDATION TAX - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	159,215,909	700,550	9.42	38	87
ANNE ARUNDEL	2,319,410,571	16,235,874	38.51	97	138
BALTIMORE CITY	1,483,475,455	8,159,115	10.92	35	109
BALTIMORE COUNTY	2,875,778,400	14,378,892	21.07	74	99
CALVERT	309,744,242	2,044,312	42.15	113	130
CAROLINE	72,621,136	319,533	12.58	50	87
CARROLL	675,752,273	4,459,965	37.26	100	130
CECIL	335,798,409	1,477,513	20.84	84	87
CHARLES	730,855,152	4,823,644	49.78	133	130
DORCHESTER	170,420,303	562,387	18.56	99	65
FREDERICK	1,099,954,091	7,259,697	51.34	137	130
GARRETT	133,083,636	585,568	21.93	88	87
HARFORD	882,523,939	5,824,658	34.51	92	130
HOWARD	1,787,258,409	7,863,937	47.54	191	87
KENT	10,674,848	352,270	20.48	11	651
MONTGOMERY	7,266,594,091	31,973,014	44.96	180	87
PRINCE GEORGE'S	3,781,697,955	16,639,471	23.97	96	87
QUEEN ANNE'S	249,574,773	1,098,129	34.21	137	87
ST. MARY'S	286,176,818	1,888,767	26.23	70	130
SOMERSET	49,380,303	162,955	8.27	44	65
TALBOT	274,891,515	907,142	32.40	173	65
WASHINGTON	446,028,864	1,962,527	16.63	67	87
WICOMICO	313,231,739	1,440,866	19.93	76	91
WORCESTER	490,761,212	1,619,512	42.73	228	65
	26,204,904,043	132,740,298			

Source: Ibid.

TABLE B/7

TAX CAPACITY DATABASE - ADMISSIONS & AMUSEMENT TAX - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	3,153,223	251,103	3.38	51	121
ANNE ARUNDEL	36,077,084	2,733,997	6.48	103	115
BALTIMORE CITY	67,480,228	4,869,164	6.52	109	110
BALTIMORE COUNTY	49,924,663	4,239,903	6.21	88	129
CALVERT	2,226,630	22,346	.46	55	15
CAROLINE	1,129,792	2,265	.09	54	3
CARROLL	4,045,064	279,785	2.34	41	105
CECIL	2,016,777	118,483	1.67	34	89
CHARLES	5,709,116	119,578	1.23	71	32
DORCHESTER	704,097	20,518	.68	28	44
FREDERICK	8,202,146	375,673	2.66	70	70
GARRETT	3,794,099	181,593	6.80	172	73
HARFORD	4,980,988	273,761	1.62	36	84
HOWARD	17,835,659	896,123	5.42	130	76
KENT	1,325,585	71,167	4.14	93	82
MONTGOMERY	38,582,122	2,497,626	3.51	66	98
PRINCE GEORGE'S	83,353,859	6,745,473	9.72	145	123
QUEEN ANNE'S	781,223	39,034	1.22	29	76
ST. MARY'S	3,252,498	84,409	1.17	54	39
SOMERSET	415,807	16,699	.85	26	61
TALBOT	2,114,515	28,469	1.02	91	20
WASHINGTON	6,537,652	398,608	3.38	67	93
WICOMICO	4,674,938	217,735	3.01	78	71
WORCESTER	34,684,079	704,604	18.59	1104	31
	383,001,844	25,188,116			

Source: Ibid.

TABLE B/8

TAX CAPACITY DATABASE - WATER & SEWER TAXES - FY 1989

SUBDIVISION	TAXABLE BASE	LOCAL RECEIPTS	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	865,257,000	10,636,061	142.96	68	152
ANNE ARUNDEL	7,502,223,000	53,758,528	127.51	104	88
BALTIMORE CITY	7,044,103,000	106,592,390	142.69	55	187
BALTIMORE COUNTY	11,367,826,000	86,080,670	126.13	97	93
CALVERT	1,515,874,000	2,137,062	44.06	182	17
CAROLINE	271,330,000	1,222,776	48.14	62	56
CARROLL	1,718,973,000	5,918,851	49.45	84	42
CECIL	872,559,000	4,904,645	69.18	72	69
CHARLES	1,662,485,000	11,257,754	116.18	100	83
DORCHESTER	420,373,000	2,336,572	77.11	81	69
FREDERICK	2,159,809,000	9,396,953	66.46	89	54
GARRETT	439,937,000	1,566,645	58.68	96	44
HARFORD	2,301,459,000	9,644,639	57.14	79	52
HOWARD	3,958,694,000	14,676,625	88.73	139	46
KENT	283,908,000	1,106,214	64.31	96	48
MONTGOMERY	19,445,889,000	146,061,838	205.37	159	93
PRINCE GEORGE'S	10,868,458,000	141,266,185	203.52	91	160
QUEEN ANNE'S	582,698,000	2,205,380	68.70	106	47
ST. MARY'S	950,721,000	3,301,394	45.85	77	43
SOMERSET	216,408,000	1,412,250	71.69	64	80
TALBOT	757,392,000	1,406,318	50.23	157	23
WASHINGTON	1,401,873,000	12,525,327	106.15	69	110
WICOMICO	1,025,542,000	4,018,627	55.58	83	48
WORCESTER	1,747,123,000	10,606,622	279.86	268	75
	79,380,914,000	644,040,326			

Source: Ibid.

TABLE B/9

TAX CAPACITY DATABASE - TOTALS - FY 1989

SUBDIVISION	ACTUAL TAX YIELD PER CAP	TAX CPCTY.	TAX EFFORT
ALLEGANY	613.05	64	95
ANNE ARUNDEL	953.11	104	91
BALTIMORE CITY	921.69	55	164
BALTIMORE COUNTY	995.01	100	98
CALVERT	894.00	153	58
CAROLINE	529.30	64	82
CARROLL	676.73	87	77
CECIL	618.04	73	84
CHARLES	777.89	98	78
DORCHESTER	618.00	76	80
FREDERICK	777.85	95	81
GARRETT	615.79	86	71
HARFORD	726.71	84	86
HOWARD	1,230.28	143	85
KENT	676.44	90	74
MONTGOMERY	1,554.64	158	97
PRINCE GEORGE'S	1,070.02	91	116
QUEEN ANNE'S	747.12	103	72
ST. MARY'S	556.80	74	74
SOMERSET	443.10	59	75
TALBOT	771.45	149	51
WASHINGTON	613.92	70	86
WICOMICO	627.58	81	77
WORCESTER	1,651.93	234	70

Source: Ibid.

TABLE B/10

TAX CAPACITY DATABASE - STATE AID CALCULATOR - FY 1989

SUBDIVISION	STATE AID	STATE AID INDEX	COMBINED CAPACITY PER CAP	COMBINED CAPACITY INDEX	CAPCTY INDEX	DIFF-ERENCE
ALLEGANY	45,412,987	125	1256.17	84	64	20
ANNE ARUNDEL	198,490,352	96	1519.82	101	104	-3
BALTIMORE CITY	453,011,864	124	1166.78	78	55	23
BALTIMORE COUNTY	260,418,073	78	1393.03	93	100	-7
CALVERT	25,694,091	108	2081.54	139	153	-14
CAROLINE	17,823,105	144	1347.76	90	64	26
CARROLL	66,220,559	113	1434.11	96	87	9
CECIL	41,432,440	120	1323.60	88	73	15
CHARLES	59,426,511	125	1604.66	107	98	9
DORCHESTER	21,361,875	144	1476.22	98	76	22
FREDERICK	80,304,878	116	1527.34	102	95	7
GARRETT	23,683,393	181	1757.47	117	86	31
HARFORD	91,476,346	111	1391.72	93	84	9
HOWARD	78,175,368	97	1919.67	128	143	-15
KENT	10,623,933	126	1530.29	102	90	12
MONTGOMERY	246,768,342	71	1947.10	130	158	-28
PRINCE GEORGE'S	334,306,871	99	1404.40	94	91	3
QUEEN ANNE'S	17,601,876	112	1588.92	106	103	3
ST. MARY'S	38,930,286	111	1291.15	86	74	12
SOMERSET	15,482,891	161	1379.44	92	59	33
TALBOT	11,194,331	82	1912.81	127	149	-22
WASHINGTON	62,848,214	109	1244.24	83	70	13
WICOMICO	41,132,017	116	1385.56	92	81	11
WORCESTER	17,533,734	95	2827.41	188	234	-46
	2,259,354,337					

Source: Ibid.

Appendix C

Calculating the Representative Revenues for Baltimore

Property tax

1. Representative local tax base = 7,044,103,000

2. Representative tax rate

Total state outlays/Total state representative tax base

2,411,618,435 / 79,380,914,000 =0.030

3. Representative tax yield = 214,002,180

Income tax

1. Representative local tax base = 4,704,813,162

2. Representative tax rate

Total state outlays/Total state representative tax base

1,174,867,251 / 50,537,542,669 = 0.023

3. Representative tax yield = 109,374,660

Sales tax on utilities

1. Representative local tax base = 698,353,208

2. Representative tax rate

Total state outlays/Total state representative tax base

94,616,673 / 4,469,405,325 = 0.021

3. Representative tax yield = 14,783,923

Sales tax on hotels

1. Representative local tax base = 59,692,512

2. Representative tax rate =

Total state outlays/Total state representative tax base

22,897,762 / 468,340,043 = 0.049

3. Representative tax yield = 2,924,933

Property transfer tax

1. Representative local tax base = 761,298,400

2. Representative tax rate

Total state outlays/Total state representative tax base

172,209,615 / 15,627,725,400 = 0.011

3. Representative tax yield = 8,389,047

Recordation tax

1. Representative local tax base = 1,483,475,455

2. Representative tax rate

Total state outlays/Total state representative tax base

132,740,298 / 26,204,904,043 = 0.005

3. Representative tax yield = 7,417,375

Admissions and Amusement tax

1. Representative local tax base = 67,480,228

2. Representative tax rate

Total state outlays/Total state representative tax base

25,188,116 / 383,001,844 = 0.0066

3. Representative tax yield = 4,453,695

Water and sewer taxes

1. Representative local tax base = 7,044,103,000

2. Representative tax rate

Total state outlays/Total state representative tax base

644,040,326 / 79,380,914,000 = 0.008

3. Representative tax yield = 57,150,216

Total representative tax yield = 418,495,809

State grants

Total outlays = Representative base = 453,011,864

Total combined yield = 871,507,673

3.3 The Representative Expenditures in Baltimore

The Representative Expenditure System of Baltimore was computed with the help of a study[22] which measured the relative fiscal capacities of the different counties in Maryland and also on the basis of the annual tax capacity and representative expenditure report of the state.[23]

The Representative Expenditures by functions are computed on the basis of an average unit cost/ workload measure for each function, taking into consideration all the outlays of the local governments of the state spent on the particular function and the amount of the workload measure at the local level of the particular function. The description of the workload measures can be found in Appendix D, Baltimore's RE is calculated through the same process in Appendix E.

The method of computation is as follows:

1. The total outlays (TO) for the function is calculated by adding up all local outlays in the state of Maryland. (Appendix F., Tables F/2-4)

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[22] R.W. Rafuse,JR.- L.R.Marks - C.E. Cohen : Local Government Needs and Performance. ACIR, Washington D.C. 1990.

[23] Fiscal Capacity and Effort of Local Governments in Maryland. Department of Fiscal services, Annapolis, Maryland 1991.

2. The Total Outlays are divided by the state total of the workload measure (STWMf) of the particular function. This way we get the unit cost (UCf) per work load measure. (The list of functions and their workload measures see table F/1, the actual amount of workload measures can be found in Tables F/5 - F/7.)

3. The unit cost is multiplied by the workload measure (WMf) of the particular function of Baltimore city and all the counties. This way we get the Representative Expenditure of the function for each county and for Baltimore city. (REf) (Tables F/8 - F/10)

4. To compute the total Representative Expenditure the Representative Expenditures by functions are added together.

Mathematically:

Ef = WMf * (TOf/ STWMf)

RE = REf

The calculation for Baltimore is described in details in Appendix E.

Explanations for the workload measures

The specific workload measures were prepared on the basis of choice among the parameters which correlate with the necessary level of the service. (See Appendix D for a list and a description of the workload measures.) The data chosen had to be accessible in all

local governments, and their content had to be normative. Also, the simplicity can also be an important factor.

The content of the different functions and therefore the measures are relevant in Maryland. In other states, these functions may not include the same services, or may not be measured by the same parameters the best.

Findings

Looking at the total amount of the Representative Expenditures of Baltimore which is $ 1,751,039,957 , the first we can state that it exceeds the Representative Revenues significantly. Without including the intergovernmental grants, the difference is
$ 1,332,558,697.
With the grants the difference is reduced to
$ 603,531,884.

To be able to analyze why the financial capacity of Baltimore is so low, we have to compare the expenditures of different functions with the state average. This way we can tell what are the conditions which - in addition to the low level of revenue raising capacity - contribute to the big disparity in the city budget.

Tables F/11 - F/13 show that the per capita representative expenditure divided by the state average per capita representative expenditure is more than the state average in Baltimore in almost

all of the functions. The ones where the Baltimore indices exceed the state average indices are the services which relate to the high rate of poverty in the city. These are the health and hospitals, social services, recreation and parks, urban development and housing and economic opportunity. The high expenditure for recreation and parks can also be explained by the fact that Baltimore is a center of tourism in the region. This can be the cause of the higher level of infrastructure needs too. In total the city's per capita RE is 142% of the state average. This is the highest index in the whole state. If we look at the indices by functions we can also see, that the RE level per capita of Baltimore is almost always the highest except for the other public safety category, the other public works category, in case of the elementary and secondary education and community colleges.

By looking at tables F/14 - F/16 we can also compare the actual outlays of the city and the representative expenditures which give a picture on whether Baltimore provide a decent level of services or tries to cut the expenditures by underbudgeting some functions.

At the first sight we can see that Baltimore channels significant amounts to economic development on the expense of other functions. The total outlays are only a bit lower than the total Representative Expenditures, so needs are satisfied on the average. However this picture covers big differences. If we accept that the Representative Expenditures express the needs of a city well, and

do not consider considerable differences in input costs, Baltimore underfunds education, health and hospitals, highways, recreation, and economic opportunity. For economic development at the same time it spends 270% more than it "should" according to the Representative Expenditures.

Conclusions on Baltimore's financial capacity

In the Representative Revenue and Expenditure Analysis we found that Baltimore's tax capacity is the lowest, its tax effort is the highest in the state, and its necessary expenditures are also the highest. The city's relative fiscal disparity is shocking. Baltimore has the biggest difference in Maryland between its revenue capacity and expenditure needs index:

Table : A comparison of Revenue Capacity and Expenditure Needs Index[24]

	Revenue Capacity Index 1986-88 Averages	Expenditure Need Index 1988	Revenue Index Minus Need Index
Allegany	69	100	-31
Anne Arundel	104	90	14
Baltimore City	56	142	-86
Baltimore County	101	89	12
Calvert	172	92	80
Caroline	63	102	-39
Carroll	88	83	5
Cecil	71	93	-22
Charles	101	98	3
Dorchester	77	105	-28
Frederick	93	90	3
Garrett	84	112	-28
Harford	85	89	-4
Howard	139	86	53
Kent	89	95	-6
Montgomery	159	88	71
Prince George's	92	95	-3
Queen Anne's	103	86	17
St. Mary's	75	101	-26
Somerset	61	104	-43
Talbot	145	92	53
Washington	71	95	-24
Wicomico	81	101	-20
Worcester	240	105	135

Baltimore is forced to levy high taxes because that is the only way it can provide its current inadequate level of services. That is

[24] Source: Analysis of the Tax Capacity and Effort of Local Governments in Maryland. January, 1990. Maryland, Department of Fiscal Services.

why its tax effort exceeds the state average considerably.

Neither the state nor the federal intergovernmental grants which aim at equalizing fiscal capacities of jurisdictions achieve their goals: though Baltimore's bad relative fiscal position is improved by the grants, they do not ease the budget pressure so that the city could reduce its tax effort close to the level of the state average.

Appendix D

Explanation of the workload measures[25]

General government

The Workload measure is the resident population. The general government function includes the costs of legislative and executive jobs, mainly overhead type of costs. It best correlates with the number of residents.

Police

The workload measures are the resident, visiting and working population, and the rate of crime. Many police services do not relate to the actual number of crimes (like patrolling, accident investigation) so it can be best measured by the number of the population.

The rate of crime also influences the need for police in a jurisdiction. Here it is measured by the number of violent crimes. Also, the workload measure adds another important factor, that is the age mix of the population which affects the incidence of crime too. This parameter is expressed by the number of arrests, because it can capture the higher workload for the police in counties with a kind of age distribution where those groups are in majority which

[25] The Department of Fiscal Services uses slightly different workload measure components. However, these does not change the results considerably.

would more call the attention of the police.

Fire protection

More measures were considered in the case of fire protection , like the number of calls, or the value of losses but they were excluded on the basis of the lack of uniform reports in the jurisdictions.

The total resident, visiting and employed population was chosen. The workload is reduced however by the activity of volunteers in many local governments, so the measure was adjusted to that by an index. In Baltimore the fire protection is totally serviced by career personnel.

Corrections

This function includes outlays for the operation of adult institutions and juvenile delinquents run by the county or Baltimore city. The workload measure is the crime rate.

Other public safety

The service includes technical inspections in residential units and also in offices and buildings with other purposes, and civil defense costs. The need is best measured by the R+V+E population, because these services depend on the number of those who "consume" infrastructural supply.

Health and hospitals

The health care services provided by counties include community health, environmental health and mental health. These service needs depend on the total number of the population and also on the number of people in poverty because these public services mostly serve low income households.

Highways

The deterioration, therefore the maintenance needs, of the roads are dependent on the number of vehicles which use them, and is also correlated to the damage caused by the weather which is expressed by the total length of the roads and bridges. The calculation takes into consideration that bridges are more costly to maintain (approximately 20 times) and the difference caused by the cars and by the weather (the first workload measure got a higher weight).

Sanitation and waste removal

This function provides sewage and solid waste collection and disposal services. The workload measure is the weighted average of the resident population and the population served by sewage treatment plants. It is assumed that the thrash collection of offices and the visitor industry is provided by private haulers.

The higher weight of the second workload measure is justified by the fact, that outlays are twice as much for sewage than for solid waste.

Other public works

This category includes operating outlays for water, gas and electric utilities, airport and transit services. These functions are needed for visitors and offices too, that is why the workload measure is the R+V+E.

Social services

These services are targeted to the poorest households of the population, but also to the not so poor. That is why the weighted average include also those whose income is less than 125% of the poverty level.

Elementary and secondary schools

The workload measures assume that the costs of the elementary school education is lower, and also captures the costs of compensatory education that pupils from poor households tend to require.

Community colleges

The workload measure is calculated by multiplying each age group's statewide propensity to enroll in community colleges.

Recreation and parks

The operation and maintenance requirements are determine by the number of the population and the number of visitors.

The need for public parks is also dependent on whether people live

in family houses or in more dense areas. The second index therefore measures the density-adjusted R+V multiplied by the R+T population per square mile rate.

The necessity of parks and recreation facilities is also higher in the poorer population.

Libraries

The workload is the resident population which uses the libraries.

Natural resources

This function includes the Agricultural Extension Service and the Soil Conservation Service. The need for these services are dependent on the amount of undeveloped land.

Urban development and housing

The service comprises of urban rehabilitation and public housing programs. These needs are higher if the rate of the poor population is higher.

Economic development

Economic development expenditures provide help for private firms to expand their activities, improve their sites. In a jurisdiction where the purchasing power and the amount of capital to be invested are low businesses are more likely to require support. The need is best measured by the poverty rate.

Economic opportunity

This function intends to alleviate poverty by job training, public day care etc. for poor people.

Debt service

The actual practice of the local government to borrow finds may change over time, therefore the actual outlays may fluctuate considerably. Therefore the number of the residential population is used in the lack of any other valuable measures.

Intergovernmental expenditures

The function involves contributions for local - education, college, health department etc. - boards. Most of the time the costs are reported at the relevant function. if not, it is included here.

Miscellaneous

The category includes outlays for retirement and pension contributions, social security etc. which depends on the expenditures in all the other functions.

Appendix E

The computation of Representative Expenditures by function for Baltimore city

General government

1.Baltimore's workload measure	
- Resident population:	753,450
2.The state of Maryland's workload measure is :	
- Resident population:	4,579,000
3.Total operating outlays for general government on state level:	486,238,606
4. Representative expenditure (1*(3/2))	80,007,966

Police

1./a Baltimore's workload measure	
-R+V+E (weight: 0.333)	1,213,417
-Number of reported violent crimes: (weight: 0.333)	14,763
-Number of expected arrests for violent crimes: (weight: 0.333)	1,897

2./a MD's workload measure	
-R+V+E:	6,714,334
-Number of reported violent crimes:	37,411
-Number of expected arrests for violent crimes:	11,917
3. Total operating outlays:	427,919,949
4. Representative expenditure (1*(3/2)):	104,768,797

Fire protection

1. Baltimore's workload measure:	
-R+V+E	1,213,417
2. MD's workload measure:	
-R+V+E	6,714,334
3. Total operating outlays:	261,541,437
4. Representative expenditure (1*(3/2)):	79,566,876

Corrections

1. Baltimore's workload measure	
-Number of reported violent crimes):	14,763
(weight: 0.5)	
-Number of expected arrests	
for violent crimes:	1,897
(weight:0.5)	
2. MD's workload measure	
-Number of reported violent crimes:	37,411
weight:0.5	
-Number of expected arrests	
for violent crimes:	11,917
(weight: 0.5)	
3. Total operating outlays:	86,880,659
4. Representative expenditure (1*(3/2)):	24,056,293

Other Public Safety

1.Baltimore's workload measure (R+V+E):	
1,213,417	
2.MD's workload measure (R+V+E):	6,714,334
3.Total operating outlays	88,605,842
4. Representative expenditure (1*(3/2))	16,012,874

Highways

1. Baltimore's workload measure

- Total vehicle miles traveled on locally maintained roads and bridges (weight: 0.825): 2,563,614,047

- Lane miles of locally maintained roads and bridges (weight: 0.175): 4,578

2. MD's workload measure

- Total vehicle miles traveled on locally maintained roads and bridges (weight: 0.825): 6,736,694,359

- Lane miles of locally maintained roads and bridges (weight: 0.175): 47,273

3. Total outlays: 216,738,848

4. Representative Expenditure (1*(3/2)): 71,799,078

7. Sanitation and waste removal

1. Baltimore's workload measure

- Resident population (weight:0.333) 753,450

- R+V+E population served by sewage treatment plants (weight: 0.667) 100%

2. MD's workload measure

- Resident population (weight:0.333) 4,579,000

- R+V+E population served by sewage treatment

plants (weight: 0.667) 72,5%

3. Total outlays: 476,811,450

4. Representative expenditure: 104,102,244

Other public works

1. Baltimore's workload measure (R+V+E):

1,213,417

2. MD's workload measure (R+V+E): 6,714,334

3. Total operating outlays: 261,541,437

4. Representative expenditure (1*(3/2)): 79,566,876

Health and Hospitals

1. Baltimore's workload measure

- R+V+E (weight:0.06) 1,213,417
- Population under 125% of the poverty line (weight; 0.94) 222,069

2. MD's workload measure

- R+V+E (weight:0.06) 6,714,334
- Population under 125% of the poverty line (weight; 0.94) 404,560

3. Total operating outlays: 298,141,389

4. Representative expenditure (1*(3/2)): 117,697,924

Social services

1. Baltimore's workload measure	
- Population under 125% of the poverty line (weight; 0.667)	222,069
- Population in poverty (weight: 0.333)	176,476
2. MD's workload measure	
- Population under 125% of the poverty line (weight; 0.667)	543,707
- Population in poverty (weight: 0.333)	404,560
3. Total operating outlays:	587,923,858
4. Representative expenditure (1*(3/2)):	251,023,322

Elementary and secondary education

1. Baltimore's workload measure	
- Elementary school age population (5-14) (weight: 0.6)	101,870
- Secondary school age population (15-17) (weight: 1.0)	34,820
67,178	
2. MD's workload measure	
- Elementary school age population (5-14) (weight: 0.6)	599,030
- Secondary school age population (15-17) (weight: 1.0)	208,740

- The number of children under 18 living in poverty (weight: 0.25) 143,012

3. Total operating outlays: 2,803,299,349

4. Representative expenditure (1*(3/2)): 523,312,354

Community colleges

1. Baltimore's workload measure
   - Expected hours in community colleges: 126,357
2. MD's workload measure
   - Expected hours in community colleges: 774,228
3. Total operating outlays: 296,302,338
4. Representative expenditure (1*(3/2)): 48,357,630

Recreation and parks

1. Baltimore's workload measure
   - R+V population (weight:0.333): 445,747
   - Density-adjusted R+V population (weight: 0.333)
   - Population living in poverty (weight:0.333) 176,476
2. MD's workload measure
   - R+V population (weight:0.333) 4,716,910
   - Density-adjusted R+V population (weight: 0.333)
   - Population living in poverty (weight:0.333) 404,560
3. Total operating outlays: 186,896,047
4. Representative expenditure (1*(3/2)): 78,969,974

Libraries

1.Baltimore's workload measure	
- Resident population:	753,450
2.MD's workload measure is :	
- Resident population:	4,579,000
3.Total operating outlays	95,870,367
4. Representative expenditure (1*(3/2))	15,774,957

Natural resources

1. Baltimore's workload measure	
- Underdeveloped land	4,315
2. MD's workload measure	
- Underdeveloped land	5,614,434
3. Total operating outlays	7,843,557
4. Representative expenditure (1*(3/2))	379,229

Urban development and housing

1. Baltimore's workload measure	
- Population living in poverty	176,476
2. MD's workload measure	
- Population living in poverty	404,560
3. Total operating outlays	43,891,816

4. Representative expenditure (1*(3/2))	19,146,362

Economic development

1.Baltimore's workload measure	
- Resident population (weight:0,5):	753,450
- Population living in poverty (weight:0.5)	176,476
2.MD's workload measure is :	
- Resident population (weight:0,5):	4,579,000
- Population living in poverty (weight:0.5):	404,560
3. Total operating outlays	72,386,384
4. Representative expenditure (1*(3/2))	21,743,487

Economic opportunity

1. Baltimore's workload measure	
- Population living in poverty	176,476
2. MD's workload measure	
- Population living in poverty	404,560
3. Total operating outlays	10,286,993
4. Representative expenditure (1*(3/2))	4,487,362

Debt service/ Principal

1. Baltimore's workload measure	
- Resident population:	753,450

2. MD's workload measure is :	
- Resident population:	4,579,000
3. Total operating outlays	233,975,055
4. Representative expenditure (1*(3/2))	38,499,346

Debt service/ Interest

1. Baltimore's workload measure	
- Resident population:	753,450
2. MD's workload measure is :	
- Resident population:	4,579,000
3. Total operating outlays	290,755,979
4. Representative expenditure (1*(3/2))	47,842,344

Intergovernmental payments

1. Baltimore's workload measure	
- Resident population:	753,450
2. MD's workload measure is :	
- Resident population:	4,579,000
33. Total operating outlays	10,872,859
4. Representative expenditure (1*(3/2))	1,789,071

Miscellaneous

1. Baltimore's workload measure

   - Representative expenditures of the government for all other function

2. MD's workload measure

   - Representative expenditures of the government for all other function

3. Total operating outlays	156,468,058
4. Representative expenditure (1*(3/2))	36,519,215

Total Representative Expenditures for all functions for Baltimore city: 1,751,039,957

Appendix F

Tables for the Representative Expenditure calculation

TABLE F/1

1. **General Government.** Resident population.

2. **Police.** A combination of three, equally weighted variables: (a) **R+V+E** population, (b) the number of violent crimes reported, and (c) the expected number of arrests for violent crimes.

3. **Fire.** **R+V+E** population adjusted for the portion of the representative level of service provided by volunteers.

4. **Corrections.** A combination of two, equally weighted variables: (a) the number of violent crimes reported, and (b) the expected number of arrests for violent crimes.

5. **Other Public Safety.** **R+V+E** population.

6. **Highways.** A combination of two variables: (a) total vehicle miles traveled on locally maintained roads and bridges, and (b) lane miles of locally maintained roads and bridges, weighted 0.825 and 0.175.

7. **Sanitation.** A combination of two variables: (a) resident population, and (b) the **R+V+E** population served by local sewage treatment plants; weighted 0.333 and 0.667.

8. **Other Public Works.** **R+V+E** population.

9. **Health and Hospitals.** A combination of two variables: (a) **R+V+E** population, and (b) the population living in households with incomes below 125 percent of poverty; weighted 0.06 and 0.94.

10. **Social Services.** A combination of two variables: (a) the population living in poverty, and (b) the population living in households with incomes below 125 percent of the poverty line; weighted 0.667 and 0.333.

11. **Elementary and Secondary Education.** A combination of three variables: (a) the elementary (5-14) school-age population, (b) the secondary (15-17) school-age population, and (3) the number of children under the age of 18 living in poverty; weighted 0.6, 1.0, and 0.25.

12. **Community Colleges.** The total number of course hours expected on the basis of statewide enrollment propensities by age group.

13. **Recreation and Parks.** A combination of three, equally weighted variables: (a) **R+V** population, (b) density-adjusted **R+V** population, and (c) the population living in poverty.

14. **Libraries.** Resident population.

15. **Natural Resources.** Acres of undeveloped land used for agriculture and mining, forests, wetlands, and barren land.

16. **Urban Development and Housing.** Population living in poverty.

17. **Economic Development.** A combination of two, equally weighted variables: (a) resident population, and (b) population living in poverty.

18. **Economic Opportunity.** Population living in poverty.

19. **Debt Service: Principal.** Resident population.

20. **Debt Service: Interest.** Resident population.

21. **Intergovernment Payments.** Resident population.

22. **Miscellaneous.** Representative expenditures of a county's governments for all other functions.

Note:

R+V population is the total number of residents of a county plus the average daily number of visitors, defined as persons who live more than 30 miles outside the county.

R+V+E population is **R+V** population plus total employment in the county.

Source: R.W.Rafuse- L.R.Marks: Local Government Spending in MD: Needs and Performance. In: Technical Supplement to the Report of the MD Commission on State Taxes and Tax Structure. 1990.

TABLE F/2

OPERATING OUTLAYS OF ALL LOCAL GOVERNMENTS IN MARYLAND, BY FUNCTION, FY 1988

County	Total	General Government	Public Safety				Public Works		
			Police	Fire	Corrections	Other	Highways	Sanitation & Waste Removal	Other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	$7,502,401,758	$486,238,606	$427,919,949	$261,541,437	$86,880,659	$88,605,842	$216,738,848	$476,811,450	$362,750,918
Allegany	115,952,224	4,712,278	2,970,487	2,396,939	622,149	1,417,324	5,634,583	9,576,100	7,754,971
Anne Arundel	593,912,906	56,794,756	36,361,147	34,381,600	5,663,479	5,405,961	25,730,405	28,462,609	22,503,487
Baltimore City	1,658,296,170	130,953,921	142,801,498	76,826,280	28,763,165	28,980,618	33,577,104	113,508,274	52,628,147
Baltimore	922,774,424	36,512,068	56,507,732	39,482,545	6,034,617	11,939,746	17,118,834	50,818,835	0
Calvert	63,956,318	3,800,755	2,376,686	477,811	1,622,225	733,658	3,749,192	1,566,490	619,114
Caroline	34,511,950	2,338,804	939,272	594,228	627,290	73,571	1,965,471	1,081,145	958,768
Carroll	137,077,839	10,703,890	3,073,180	1,754,636	1,067,825	1,363,669	6,996,931	3,593,169	1,752,858
Cecil	86,106,208	5,154,447	2,192,436	515,441	1,627,217	2,003,506	4,418,453	3,065,476	2,587,012
Charles	130,512,413	5,260,888	6,061,386	1,950,724	1,810,989	703,113	1,973,590	5,172,644	3,883,294
Dorchester	42,469,079	1,979,267	1,862,178	432,462	214,138	253,045	4,922,611	1,496,589	933,237
Frederick	179,166,604	8,964,947	5,660,339	3,196,109	1,810,407	1,139,379	8,068,360	11,296,194	11,403,912
Garrett	41,967,023	1,663,693	462,966	359,583	199,330	152,040	6,367,814	1,348,749	616,355
Harford	213,636,910	12,080,418	8,756,813	2,227,200	2,427,063	1,667,838	11,915,057	9,615,296	4,955,490
Howard	265,531,457	18,545,752	12,062,532	7,504,593	2,572,331	3,713,345	5,663,934	15,345,138	15,228,394
Kent	25,770,250	1,793,430	720,257	406,558	394,653	121,640	1,390,279	763,361	1,099,025
Montgomery	1,320,355,953	73,571,379	67,119,456	48,800,187	11,033,388	14,587,234	34,564,015	88,586,524	102,910,539
Pr. George's	1,134,553,899	86,703,636	58,275,857	29,385,417	13,691,089	9,592,700	16,613,387	103,092,328	76,308,683
Queen Anne's	44,916,782	2,188,880	708,099	572,116	632,363	414,493	3,395,441	3,272,216	765,941
St. Mary's	78,734,522	3,285,333	2,325,169	544,172	886,169	1,105,258	2,472,599	2,686,534	1,859,724
Somerset	26,659,598	2,168,477	491,091	270,298	303,336	246,035	1,666,394	1,678,671	811,261
Talbot	48,087,442	1,907,996	1,695,232	649,838	514,840	418,612	2,350,809	1,823,243	12,727,754
Washington	148,986,787	6,067,714	5,112,047	2,832,061	1,691,809	1,060,460	4,840,283	6,752,726	19,059,656
Wicomico	99,272,788	3,845,407	3,024,038	3,007,188	1,050,123	621,343	6,371,178	4,256,092	5,721,624
Worcester	89,192,212	5,240,470	6,360,051	2,973,451	1,620,664	891,254	4,972,124	7,953,047	15,661,672

Source: Ibid.

TABLE F/3

OPERATING OUTLAYS OF ALL LOCAL GOVERNMENTS IN MARYLAND, BY FUNCTION, FY 1988

County	Health & Hospitals	Social Services	Education		Recreation & Parks	Libraries	Natural Resources	Urban Development & Housing	Economic Develop-ment
			Elementary & Secondary	Community Colleges					
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total	$298,141,389	$587,923,858	$2,803,299,349	$296,302,338	$186,896,047	$95,870,367	$7,843,557	$43,891,816	$72,386,384
Allegany	6,102,072	13,069,472	42,653,135	7,879,696	913,707	639,276	142,618	1,150,812	1,309,050
Anne Arundel	17,106,094	24,560,354	250,212,281	25,190,724	7,200,671	8,039,995	0	258,749	549,391
Baltimore City	87,897,376	298,609,052	410,950,668	23,491,363	42,814,762	15,958,864	0	16,016,063	58,813,528
Baltimore	65,307,784	38,034,256	355,504,008	74,665,574	11,014,704	20,083,621	3,481,006	206,066	882,930
Calvert	3,244,356	3,931,627	33,905,297	219,945	1,251,761	635,231	130,443	427,889	293,122
Caroline	1,766,651	2,853,029	15,951,157	1,066,976	454,129	613,829	98,702	589,999	237,821
Carroll	5,991,534	8,414,403	70,706,085	3,522,264	937,743	2,418,488	255,593	712,668	1,727,100
Cecil	3,158,432	6,115,579	43,074,671	5,202,150	373,839	1,330,835	166,950	1,227,857	152,277
Charles	5,627,846	8,325,440	62,641,547	11,471,137	2,579,679	683,018	398,874	2,055,127	215,502
Dorchester	2,024,321	4,161,693	18,405,252	1,007,699	355,605	355,957	224,919	177,859	124,222
Frederick	6,294,231	6,833,788	88,919,923	7,293,604	2,416,101	1,097,398	252,438	1,844,011	342,099
Garrett	2,085,397	3,379,128	19,533,617	2,444,902	59,495	287,736	114,838	636,596	240,798
Harford	6,015,338	19,496,982	100,845,286	13,440,458	2,031,400	3,069,528	182,462	1,831,414	261,224
Howard	5,733,427	8,538,083	116,377,493	11,015,976	3,938,387	3,914,977	390,119	1,901,911	947,218
Kent	2,118,692	1,550,887	10,460,354	829,871	300,522	233,674	232,915	204,805	32,181
Montgomery	26,941,714	52,907,193	505,552,902	63,719,606	58,677,455	17,212,138	250,328	9,114,156	2,125,221
Pr. George's	26,732,286	50,669,741	430,367,475	30,348,594	44,745,094	14,296,201	488,222	1,874,841	1,744,248
Queen Anne's	2,600,062	2,744,747	21,764,163	1,481,911	1,422,454	325,884	249,728	205,257	985,860
St. Mary's	3,570,456	7,327,753	45,703,401	397,068	766,779	1,294,406	163,054	281,260	333,419
Somerset	1,973,327	2,952,126	12,206,661	0	181,130	154,232	42,768	495,548	139,038
Talbot	1,844,832	2,251,480	15,165,216	1,541,187	175,710	598,147	128,231	614,297	158,776
Washington	6,826,876	10,463,167	65,042,923	7,335,002	2,039,631	1,320,675	236,341	775,907	148,615
Wicomico	4,221,585	7,600,104	42,762,728	2,132,988	1,741,023	864,054	108,490	525,609	0
Worcester	2,956,700	3,133,774	24,383,622	813,127	504,266	442,203	104,518	763,115	622,744

Source: Ibid.

TABLE F/4

OPERATING OUTLAYS OF ALL LOCAL GOVERNMENTS, BY FUNCTION, FY '88

County	Economic Opportunity	Debt Service		Intergovernmental	Miscellaneous
		Principal	Interest		
	(19)	(20)	(21)	(22)	(23)
Total	$10,286,993	$233,975,055	$290,755,979	$10,872,859	$156,468,058
Allegany	47,362	2,058,858	3,624,062	28,704	1,248,569
Anne Arundel	0	19,170,234	25,116,544	0	1,204,425
Baltimore City	1,949,567	49,843,215	43,672,820	0	239,885
Baltimore	3,258,454	41,207,875	30,494,099	0	60,219,670
Calvert	0	1,227,760	1,293,178	0	2,449,778
Caroline	0	814,960	753,144	172,942	560,062
Carroll	617,534	2,707,085	3,124,030	1,709,019	3,928,135
Cecil	0	1,108,473	1,291,872	170,914	1,168,371
Charles	40,767	3,364,091	2,913,061	0	3,379,696
Dorchester	46,497	1,434,908	1,017,169	0	1,039,451
Frederick	1,648,600	5,630,215	4,499,980	330,705	223,864
Garrett	219,064	212,265	647,288	36,993	898,376
Harford	2,109,646	4,679,086	3,339,011	0	2,689,900
Howard	166,460	16,011,817	15,278,373	0	681,197
Kent	18,697	2,196,553	246,843	13,348	641,705
Montgomery	74,676	47,728,577	81,381,698	4,267,273	9,230,294
Pr. George's	68,070	23,569,263	59,324,374	0	56,662,393
Queen Anne's	0	181,623	514,174	39,522	451,848
St. Mary's	21,599	1,660,070	1,800,337	0	249,962
Somerset	0	105,790	292,980	24,526	455,909
Talbot	0	1,025,174	1,257,476	217,471	1,021,121
Washington	0	2,081,171	2,273,746	562,521	2,463,456
Wicomico	0	4,334,155	3,708,331	0	3,376,728
Worcester	0	1,621,837	2,891,389	3,298,921	1,983,263

Source: Ibid.

TABLE F/3

DATA USED TO CALCULATE WORKLOADS FOR ESTIMATING REPRESENTATIVE EXPENDITURES
FOR LOCAL GOVERNMENTS IN MARYLAND, BY COUNTY, 1988

	Resident Population by Age, July 1, 1987											
County	Total	Under 10	5-14	11-14	15-17	15-19	20-24	25-34	35-44	45-54	55-64	Over 65
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
Total	4,535,860	655,440	599,030	287,540	208,740	402,610	383,930	786,950	666,850	466,650	412,190	473,700
Allegany	74,710	8,730	8,890	4,410	3,160	6,820	5,550	9,340	9,280	8,400	9,010	13,170
Anne Arundel	412,620	58,370	54,480	26,710	19,170	37,730	37,400	74,880	63,390	45,720	35,760	32,660
Baltimore City	745,090	119,010	101,870	46,590	34,820	68,210	67,670	115,860	90,130	64,600	69,470	103,550
Baltimore	676,460	85,040	77,860	37,150	27,390	53,430	54,940	117,500	98,660	70,230	73,560	85,950
Calvert	46,230	7,360	7,070	3,370	2,480	4,380	3,210	8,070	7,420	5,080	3,630	3,710
Caroline	24,900	3,570	3,450	1,690	1,220	2,130	1,650	3,910	3,310	2,630	2,590	3,420
Carroll	115,670	16,470	15,400	7,520	5,450	10,520	8,380	19,780	19,150	12,500	9,710	11,640
Cecil	69,110	10,020	10,020	4,960	3,540	6,690	5,440	10,830	10,480	7,330	6,500	6,860
Charles	93,170	15,890	15,580	7,730	5,480	9,990	7,450	16,370	14,560	9,660	6,060	5,460
Dorchester	30,070	3,850	3,720	1,760	1,300	2,370	2,030	4,360	3,820	3,160	3,470	5,250
Frederick	136,900	20,410	19,420	9,450	6,880	13,010	10,810	24,050	21,580	14,260	10,890	12,440
Garrett	26,580	3,960	3,950	1,860	1,410	2,390	1,840	4,220	3,580	2,720	2,490	3,520
Harford	164,410	23,550	23,080	11,060	8,140	15,780	13,410	29,240	26,690	17,990	14,000	12,690
Howard	157,850	23,470	21,530	10,500	7,570	14,000	11,620	32,120	29,010	17,410	11,160	8,560
Kent	16,970	1,870	1,870	1,010	650	1,450	1,380	2,150	2,260	1,750	2,080	3,020
Montgomery	687,800	99,960	89,210	42,950	31,130	55,110	47,520	125,420	110,830	75,890	61,480	68,640
Prince George's	685,820	102,880	94,030	46,180	32,240	66,070	72,190	128,560	102,660	69,190	52,380	45,710
Queen Anne's	31,010	4,120	3,800	1,810	1,330	2,530	2,090	5,000	4,750	3,480	3,500	3,730
St. Mary's	69,880	12,000	11,150	5,240	3,920	7,280	6,620	12,860	9,240	6,600	4,830	5,210
Somerset	19,400	2,530	2,440	1,170	830	1,860	1,450	2,480	2,370	1,940	2,380	3,220
Talbot	27,600	3,440	3,090	1,420	1,090	2,030	1,700	3,980	3,480	2,960	3,320	5,270
Washington	116,250	14,700	14,150	6,770	5,000	10,040	10,930	18,880	15,430	12,020	12,190	15,290
Wicomico	70,750	9,620	8,880	4,300	3,110	6,260	5,800	11,380	9,760	7,210	7,260	9,160
Worcester	36,610	4,620	4,090	1,930	1,430	2,530	2,850	5,710	5,010	3,920	4,470	5,570

Source: Ibid.

TABLE F/6

DATA USED TO CALCULATE WORKLOADS FOR ESTIMATING REPRESENTATIVE EXPENDITURES FOR LOCAL GOVERNMENTS IN MARYLAND, BY COUNTY, 1988

County	Total Resident Population 7/1/87	7/1/88	1/1/88	Average Number of Visitors Per Day CY 1988	Average Total Employment FY 1988	Population Concepts R+V (3+4)	R+V+E (3+4+5)	Poverty Population, 1979 Total	Under 18	Population Under 125% of Poverty	Career Fire Personnel 1989
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total	4,536,000	4,622,000	4,579,000	137,910	1,997,424	4,716,910	6,714,334	404,560	143,012	543,707	6,097
Allegany	75,400	75,200	75,300	850	26,299	76,150	102,449	9,512	3,049	13,718	65
Anne Arundel	411,000	417,600	414,300	26,580	150,998	440,880	591,878	22,298	8,426	31,042	640
Baltimore City	755,500	751,400	753,450	14,220	445,747	767,670	1,213,417	176,476	67,178	222,069	2,118
Baltimore	680,700	689,300	685,000	5,920	308,766	690,920	999,686	33,861	10,099	47,781	1,147
Calvert	45,300	48,000	46,650	1,660	8,082	48,310	56,392	3,527	1,416	4,870	14
Caroline	24,700	25,300	25,000	320	7,054	25,320	32,374	3,077	921	4,462	16
Carroll	115,100	118,700	116,900	1,070	34,105	117,970	152,075	4,860	1,517	7,673	24
Cecil	69,600	71,800	70,700	2,770	16,721	73,470	90,191	5,542	1,811	8,102	29
Charles	91,500	94,800	93,150	4,250	23,096	97,400	120,496	6,401	2,630	9,027	10
Dorchester	30,300	30,400	30,350	700	11,627	31,050	42,677	4,317	1,418	6,236	8
Frederick	135,500	139,700	137,600	11,030	45,166	148,630	193,796	7,447	2,274	10,730	59
Garrett	26,700	26,900	26,800	2,600	8,665	29,400	38,065	4,097	1,363	5,900	7
Harford	162,900	170,400	166,650	2,400	46,944	169,050	215,994	10,638	4,028	14,969	40
Howard	154,700	163,000	158,850	3,190	71,013	162,040	233,053	4,240	1,424	6,152	182
Kent	17,000	17,000	17,000	440	6,316	17,440	23,756	2,129	554	3,083	8
Montgomery	682,200	704,900	693,550	10,660	374,792	704,210	1,079,002	24,882	7,388	34,111	923
Prince George's	689,100	701,000	695,050	6,060	264,323	701,110	965,433	43,562	14,807	59,737	607
Queen Anne's	30,800	32,000	31,400	460	7,161	31,860	39,021	2,416	783	3,506	13
St. Mary's	67,800	70,300	69,050	1,970	19,927	71,020	90,947	6,300	2,453	9,401	9
Somerset	19,400	19,400	19,400	470	5,268	19,870	25,138	2,908	949	4,415	9
Talbot	27,500	28,000	27,750	1,340	14,226	29,090	43,316	2,584	780	3,959	10
Washington	116,600	117,800	117,200	3,740	48,612	120,940	169,552	11,687	3,854	15,968	69
Wicomico	70,600	72,000	71,300	2,490	33,377	73,790	107,167	7,764	2,594	10,987	69
Worcester	36,300	36,900	36,600	32,720	19,144	69,320	88,464	4,035	1,296	5,809	22

Source: Ibid.

TABLE F/7

DATA USED TO CALCULATE WORKLOADS FOR ESTIMATING REPRESENTATIVE EXPENDITURES FOR LOCAL GOVERNMENTS IN MARYLAND, BY COUNTY, 1988

County	Locally Maintained Roads and Bridges				Percent of Population Served by Public Sewers	Violent Crimes 1987		Square Miles of Land	Acres of Undeveloped Resources 1985	Expected Course Hours in Community Colleges		
	Vehicle Miles Traveled	Lane Miles	Bridges: Square Feet	Bridges: Lane Miles		Number	Expected Arrests			Total	Part Time	Part Time
	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
Total	6,736,694,359	46,180	3,463,221	1,093	72.5%	37,411	11,917	9,844	5,614,434	774,228	393,869	380,358
Allegany	81,805,413	1,461	378,322	119	89.3	163	174	427	255,479	11,544	6,029	5,516
Anne Arundel	423,134,178	3,139	123,287	39	49.0	1,496	1,132	418	195,351	73,411	37,337	36,073
Baltimore City	2,563,614,047	4,486	608,802	192	100.0	14,763	1,897	80	4,315	126,357	66,413	59,944
Baltimore	1,052,686,240	4,822	80,574	25	89.3	6,593	1,705	598	271,453	110,166	54,426	55,739
Calvert	13,702,538	716	5,857	2	5.4	165	121	213	130,447	7,744	3,959	3,785
Caroline	18,155,848	1,035	191,330	60	31.9	112	60	321	202,419	3,841	1,953	1,887
Carroll	82,212,461	1,953	26,309	8	26.1	293	300	452	265,029	19,245	9,717	9,528
Cecil	21,098,310	1,183	178,883	56	34.2	306	180	360	212,977	11,697	6,082	5,615
Charles	48,243,072	1,212	49,885	16	24.7	489	260	452	272,555	16,795	8,877	7,917
Dorchester	43,718,558	1,265	94,667	30	58.4	206	68	593	363,437	4,449	2,235	2,214
Frederick	102,035,122	2,614	404,022	128	34.1	706	366	663	408,143	23,615	12,100	11,515
Garrett	32,463,691	1,496	93,022	29	25.3	73	65	657	415,426	4,221	2,172	2,049
Harford	133,820,030	1,912	175,844	56	32.7	725	447	448	240,149	28,835	14,735	14,100
Howard	133,678,848	1,460	100,625	32	58.5	520	436	251	124,388	27,451	13,514	13,937
Kent	6,675,390	549	16,576	5	73.7	40	40	278	178,734	2,649	1,364	1,285
Montgomery	854,305,564	4,485	333,609	105	82.8	1,989	1,741	495	214,446	110,359	54,090	56,269
Prince George's	713,983,844	3,916	252,134	80	90.6	6,909	1,982	487	230,144	129,967	67,212	62,755
Queen Anne's	13,396,482	1,029	20,996	7	11.6	118	75	372	232,620	4,816	2,388	2,428
St. Mary's	31,554,633	990	34,086	11	22.0	391	198	373	214,629	12,986	6,883	6,103
Somerset	12,080,146	729	2,995	1	36.7	116	46	338	211,600	3,055	1,618	1,437
Talbot	29,983,823	841	20,522	6	47.9	147	60	259	169,279	3,912	1,924	1,988
Washington	184,332,504	1,911	180,365	57	55.0	263	301	455	277,512	19,857	10,144	9,713
Wicomico	111,819,831	1,637	58,200	18	44.3	614	179	379	229,959	11,710	5,990	5,720
Worcester	28,193,786	1,339	32,309	10	67.0	214	85	475	293,943	5,548	2,706	2,842

Source: Ibid.

TABLE F/8

REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, BY FUNCTION, FY 1988

County	Total	General Government	Public Safety				Public Works		
			Police	Fire	Corrections	Other	Highways	Sanitation & Waste Removal	Other
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	$7,502,401,758	$486,238,606	$427,919,949	$261,541,437	$86,880,659	$88,605,842	$216,738,848	$476,811,450	$362,750,918
Allegany	123,046,905	7,996,018	4,876,704	3,071,980	822,351	1,351,970	3,439,646	8,490,105	5,534,945
Anne Arundel	613,782,468	43,994,028	31,821,368	26,222,255	5,861,725	7,810,729	13,780,256	33,002,981	31,977,003
Baltimore City	1,751,039,957	80,007,966	104,768,797	79,566,876	24,056,293	16,012,874	71,799,078	104,102,244	65,556,455
Baltimore Count	1,002,733,619	72,739,342	66,784,611	46,403,381	13,871,179	13,192,369	31,830,267	81,120,409	54,009,351
Calvert	70,514,519	4,953,708	3,276,925	977,439	633,130	744,172	940,647	1,813,314	3,046,626
Caroline	41,818,215	2,654,721	1,829,229	825,569	347,636	427,224	1,361,120	1,530,565	1,749,049
Carroll	158,032,124	12,413,473	7,934,577	2,241,346	1,432,549	2,006,857	3,756,084	6,604,315	8,216,042
Cecil	107,218,336	7,507,550	5,233,974	1,803,104	1,010,470	1,190,211	1,554,018	4,433,870	4,872,703
Charles	149,578,276	9,891,489	7,535,499	1,486,452	1,515,320	1,590,131	2,264,921	5,142,411	6,509,972
Dorchester	52,185,659	3,222,831	2,511,419	668,630	488,734	563,181	2,199,899	2,653,933	2,305,655
Frederick	203,336,019	14,611,582	11,189,550	3,762,588	2,153,897	2,557,436	4,906,968	9,017,935	10,470,102
Garrett	49,261,894	2,845,860	1,869,154	592,725	322,966	502,329	2,085,028	1,548,207	2,056,526
Harford	244,311,409	17,696,367	12,700,193	3,370,309	2,470,347	2,850,372	5,130,209	10,317,246	11,669,379
Howard	223,688,756	16,868,094	12,150,873	8,085,539	2,192,690	3,075,485	4,744,413	14,269,536	12,590,988
Kent	26,582,709	1,805,210	1,134,673	486,326	191,863	313,490	622,040	1,714,614	1,283,423
Montgomery	1,001,286,488	73,647,256	51,341,536	39,992,697	8,654,903	14,239,067	26,357,611	81,461,329	58,294,517
Prince George's	1,087,095,105	73,806,539	70,572,558	28,794,613	15,246,391	12,740,359	22,157,212	80,309,829	52,158,827
Queen Anne's	44,101,717	3,334,329	2,176,914	793,839	410,515	514,935	1,187,729	1,379,892	2,108,135
St. Mary's	114,704,496	7,332,338	5,793,908	1,168,539	1,176,108	1,200,177	1,640,713	3,680,031	4,913,507
Somerset	33,114,649	2,060,063	1,524,508	515,444	301,641	331,734	905,968	1,265,458	1,358,114
Talbot	41,647,650	2,946,740	2,203,574	739,703	390,841	571,614	1,475,992	2,295,370	2,340,178
Washington	181,744,404	12,445,330	8,209,901	3,851,303	1,403,318	2,237,490	6,471,822	10,056,430	9,160,247
Wicomico	118,546,733	7,571,263	6,760,964	4,559,102	1,365,673	1,414,225	4,295,764	5,523,384	5,789,814
Worcester	63,029,650	3,886,511	3,718,539	1,561,679	560,120	1,167,410	1,831,443	5,078,042	4,779,359

Source: Ibid

TABLE F/9

REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, BY FUNCTION, FY 1988

County	Health & Hospitals	Social Services	Education		Recreation & Parks	Libraries	Natural Resources	Urban Development & Housing	Economic Development
			Elementary & Secondary	Community Colleges					
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total	$298,141,389	$587,923,858	$2,803,299,349	$296,302,338	$186,896,047	$95,870,367	$7,843,557	$43,891,816	$72,386,384
Allegany	7,343,868	14,159,699	42,966,730	4,418,098	2,547,272	1,576,554	356,913	1,031,983	1,446,157
Anne Arundel	17,577,444	32,791,377	250,498,345	28,094,825	11,885,938	8,674,185	272,912	2,419,171	5,269,546
Baltimore City	117,697,924	251,023,322	523,312,354	48,357,630	78,969,974	15,774,957	6,028	19,146,362	21,743,487
Baltimore Count	27,292,025	50,026,941	355,712,897	42,161,277	18,853,247	14,341,822	379,229	3,673,672	8,443,666
Calvert	2,660,473	5,172,360	32,846,258	2,963,550	1,243,102	976,709	182,239	382,654	684,266
Caroline	2,386,182	4,589,257	16,340,712	1,469,827	819,569	523,424	282,786	333,832	472,882
Carroll	4,360,197	7,473,765	69,950,168	7,365,006	2,480,694	2,447,531	370,255	527,275	1,358,788
Cecil	4,416,453	8,289,309	46,441,139	4,476,483	1,908,590	1,480,243	297,536	601,267	1,054,629
Charles	4,973,982	9,455,027	71,882,202	6,427,525	2,390,864	1,950,278	380,769	694,462	1,308,927
Dorchester	3,328,036	6,429,988	18,040,913	1,702,569	1,084,062	635,438	507,734	468,363	626,104
Frederick	6,047,078	11,082,141	88,662,752	9,037,707	3,298,276	2,880,926	570,190	807,945	1,753,845
Garrett	3,142,560	6,095,753	19,128,033	1,615,449	1,026,616	561,111	580,364	444,495	578,362
Harford	8,291,204	15,701,606	106,740,669	11,035,176	4,231,827	3,489,145	335,496	1,154,146	2,268,938
Howard	3,791,943	6,325,108	96,755,877	10,505,575	3,384,484	3,325,837	173,774	460,009	1,634,901
Kent	1,652,417	3,173,795	8,868,237	1,013,797	564,359	355,928	249,698	230,981	324,838
Montgomery	20,457,162	36,401,170	401,538,992	42,235,156	18,797,666	14,520,833	299,588	2,699,516	7,707,958
Prince George's	33,363,471	63,735,373	428,725,389	49,739,231	21,674,837	14,552,238	321,519	4,726,160	9,390,985
Queen Anne's	1,911,121	3,604,302	17,665,832	1,843,011	808,258	657,421	324,978	262,118	464,334
St. Mary's	5,088,032	9,491,796	52,097,356	4,969,842	1,984,511	1,445,698	299,844	683,504	1,109,400
Somerset	2,342,678	4,408,518	11,749,749	1,169,311	716,894	406,177	295,612	315,497	413,500
Talbot	2,156,062	3,930,265	14,570,989	1,497,214	800,556	581,001	236,489	280,345	450,513
Washington	8,682,403	17,078,136	67,091,924	7,599,390	3,578,902	2,453,812	387,694	1,267,954	1,971,924
Wicomico	5,948,747	11,481,959	42,178,722	4,481,459	2,251,363	1,492,806	321,261	842,337	1,258,159
Worcester	3,229,926	6,002,891	19,533,110	2,123,230	1,594,186	766,293	410,648	437,768	650,276

Source: Ibid.

TABLE F/10

REPRESENTATIVE EXPENDITURES OF MD. LOCAL GOVTS., FY 1988

County	Economic Opportunity	Debt Service		Intergovernmental	Miscellaneous
		Principal	Interest		
	(19)	(20)	(21)	(22)	(23)
Total	$10,286,993	$233,975,055	$290,755,979	$10,872,859	$156,468,058
Allegany	241,867	3,847,635	4,781,377	178,800	2,566,233
Anne Arundel	566,985	21,169,658	26,307,098	983,757	12,800,881
Baltimore City	4,487,362	38,499,346	47,842,344	1,789,071	36,519,215
Baltimore Count	861,004	35,001,728	43,495,926	1,626,536	20,912,741
Calvert	89,683	2,383,694	2,962,168	110,771	1,470,632
Caroline	78,241	1,277,435	1,587,442	59,363	872,149
Carroll	123,578	5,973,288	7,422,882	277,580	3,295,875
Cecil	140,920	3,612,587	4,489,287	167,878	2,236,117
Charles	162,762	4,759,724	5,914,811	221,185	3,119,564
Dorchester	109,771	1,550,807	1,927,155	72,066	1,088,370
Frederick	189,359	7,031,004	8,737,284	326,732	4,240,721
Garrett	104,177	1,369,411	1,701,738	63,637	1,027,393
Harford	270,499	8,515,384	10,581,892	395,711	5,095,292
Howard	107,813	8,116,824	10,086,610	377,190	4,665,192
Kent	54,135	868,656	1,079,461	40,367	554,402
Montgomery	632,690	35,438,611	44,038,832	1,646,838	20,882,560
Prince George's	1,107,677	35,515,257	44,134,078	1,650,400	22,672,161
Queen Anne's	61,433	1,604,459	1,993,828	74,559	919,773
St. Mary's	160,194	3,528,276	4,384,516	163,960	2,392,246
Somerset	73,944	991,290	1,231,855	46,065	690,630
Talbot	65,705	1,417,953	1,762,061	65,893	868,592
Washington	297,172	5,988,617	7,441,931	278,292	3,790,412
Wicomico	197,420	3,643,245	4,527,386	169,302	2,472,379
Worcester	102,600	1,870,165	2,324,016	86,907	1,314,529

Source: Ibid.

TABLE F/11

INDEX OF PER CAPITA REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, FISCAL YEAR 1988

County	Total	General Government	Public Safety				Health & Hospitals
			Police	Fire	Corrections	Other	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Scale:							
Percent	100.0%	6.4%	5.7%	3.5%	1.2%	1.2%	4.0%
Per Capita	$1,638.44	$106.19	$93.45	$57.12	$18.97	$19.35	$65.11
Total	100	100	100	100	100	100	100
Standard Dev.	19	0	25	47	35	9	67
Allegany	100	100	69	71	58	93	150
Anne Arundel	90	100	82	111	75	97	65
Baltimore City	142	100	149	185	168	110	240
Baltimore	89	100	104	119	107	100	61
Calvert	92	100	75	37	72	82	88
Caroline	102	100	78	58	73	88	147
Carroll	83	100	73	34	65	89	57
Cecil	93	100	79	45	75	87	96
Charles	98	100	87	28	86	88	82
Dorchester	105	100	89	39	85	96	168
Frederick	90	100	87	48	82	96	67
Garrett	112	100	75	39	64	97	180
Harford	89	100	82	35	78	88	76
Howard	86	100	82	89	73	100	37
Kent	95	100	71	50	59	95	149
Montgomery	88	100	79	101	66	106	45
Pr. George's	95	100	109	73	116	95	74
Queen Anne's	86	100	74	44	69	85	93
St. Mary's	101	100	90	30	90	90	113
Somerset	104	100	84	47	82	88	185
Talbot	92	100	85	47	74	106	119
Washington	95	100	75	58	63	99	114
Wicomico	101	100	101	112	101	103	128
Worcester	105	100	109	75	81	165	136

Source: Ibid.

TABLE F/12

INDEX OF PER CAPITA REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, FISCAL YEAR 1988

County	Natural Resources	Urban Development & Housing	Economic Development	Economic Opportunity	Debt Service		Intergovernmental	Miscellaneous
					Principal	Interest		
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
Scale:								
Percent	0.1%	0.6%	1.0%	0.1%	3.1%	3.9%	0.1%	2.1%
Per Capita	$1.71	$9.59	$15.81	$2.25	$51.10	$63.50	$2.38	$34.17
Total	100	100	100	100	100	100	100	100
Standard Dev.	185	78	39	78	0	0	0	19
Allegany	277	143	121	143	100	100	100	100
Anne Arundel	38	61	80	61	100	100	100	90
Baltimore City	0	265	183	265	100	100	100	142
Baltimore	32	56	78	56	100	100	100	89
Calvert	228	86	93	86	100	100	100	92
Caroline	660	139	120	139	100	100	100	102
Carroll	185	47	74	47	100	100	100	83
Cecil	246	89	94	89	100	100	100	93
Charles	239	78	89	78	100	100	100	98
Dorchester	977	161	130	161	100	100	100	105
Frederick	242	61	81	61	100	100	100	90
Garrett	1,264	173	137	173	100	100	100	112
Harford	118	72	86	72	100	100	100	89
Howard	64	30	65	30	100	100	100	86
Kent	857	142	121	142	100	100	100	95
Montgomery	25	41	70	41	100	100	100	88
Pr. George's	27	71	85	71	100	100	100	95
Queen Anne's	604	87	94	87	100	100	100	86
St. Mary's	253	103	102	103	100	100	100	101
Somerset	890	170	135	170	100	100	100	104
Talbot	497	105	103	105	100	100	100	92
Washington	193	113	106	113	100	100	100	95
Wicomico	263	123	112	123	100	100	100	101
Worcester	655	125	112	125	100	100	100	105

Source: Ibid.

TABLE F/13

INDEX OF PER CAPITA REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, FISCAL YEAR 1988

	Public Works				Education			
	Highways	Sanitation	Other	Social Services	Elem & Secondary	Comm Colleges	Recreation & Parks	Libraries
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Scale:								
Percent	2.9%	6.4%	4.8%	7.8%	37.4%	3.9%	2.5%	1.3%
Per Capita	$47.33	$104.13	$79.22	$128.40	$612.34	$64.57	$40.82	$20.94
Total	100	100	100	100	100	100	100	100
Standard Dev.	49	26	9	76	10	6	70	0
Allegany	97	108	93	146	93	91	83	100
Anne Arundel	70	77	97	62	99	105	70	100
Baltimore City	201	133	110	259	113	99	257	100
Baltimore	98	114	100	57	85	95	67	100
Calvert	43	37	82	86	115	98	65	100
Caroline	115	59	88	143	107	91	80	100
Carroll	68	54	89	50	98	97	52	100
Cecil	46	60	87	91	107	98	66	100
Charles	51	53	88	79	126	107	63	100
Dorchester	153	84	96	165	97	87	88	100
Frederick	75	63	96	63	105	102	59	100
Garrett	164	55	97	177	117	93	94	100
Harford	65	59	88	73	105	102	62	100
Howard	63	86	100	31	99	102	52	100
Kent	77	97	95	145	85	92	81	100
Montgomery	80	113	106	41	95	94	66	100
Pr. George's	67	111	95	71	101	111	76	100
Queen Anne's	80	42	85	89	92	91	63	100
St. Mary's	50	51	90	107	123	111	70	100
Somerset	99	63	88	177	99	93	91	100
Talbot	112	79	106	110	86	83	71	100
Washington	117	82	99	113	94	100	75	100
Wicomico	127	74	103	125	97	97	77	100
Worcester	106	133	165	128	87	90	107	100

Source: Ibid.

TABLE F/14

ACTUAL AS PERCENTAGE OF REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, FISCAL YEAR 1988

County	Natural Resources	Urban Development & Housing	Economic Development	Economic Opportunity	Debt Service		Intergovernmental	Miscellaneous
					Principal	Interest		
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
Scale:								
Percent	0.1%	0.6%	1.0%	0.1%	3.1%	3.9%	0.1%	2.1%
Per Capita	$1.71	$9.59	$15.81	$2.25	$51.10	$63.50	$2.38	$34.17
Total	100%	100%	100%	100%	100%	100%	100%	100%
Standard Dev.	308	126	95	233	40	49	347	111
Allegany	40	112	91	20	54	76	16	49
Anne Arundel	0	11	10	0	91	95	0	9
Baltimore City	0	84	270	43	129	91	0	1
Baltimore	918	6	10	378	118	70	0	288
Calvert	72	112	43	0	52	44	0	167
Caroline	35	177	50	0	64	47	291	64
Carroll	69	135	127	500	45	42	616	119
Cecil	56	204	14	0	31	29	102	52
Charles	105	296	16	25	71	49	0	108
Dorchester	44	38	20	42	93	53	0	96
Frederick	44	228	20	871	80	52	101	5
Garrett	20	143	42	210	16	38	58	87
Harford	54	159	12	780	55	32	0	53
Howard	224	413	58	154	197	151	0	15
Kent	93	89	10	35	253	23	33	116
Montgomery	84	338	28	12	135	185	259	44
Pr. George's	152	40	19	6	66	134	0	250
Queen Anne's	77	78	212	0	11	26	53	49
St. Mary's	54	41	30	13	47	41	0	10
Somerset	14	157	34	0	11	24	53	66
Talbot	54	219	35	0	72	71	330	118
Washington	61	61	8	0	35	31	202	65
Wicomico	34	62	0	0	119	82	0	137
Worcester	25	174	96	0	87	124	3,796	151

Source: Ibid.

TABLE F/15

ACTUAL AS PERCENTAGE OF REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, FISCAL YEAR 1988

	Public Works				Education			
	Highways	Sanitation	Other	Social Services	Elem & Secondary	Comm Colleges	Recreation & Parks	Libraries
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Scale:								
Percent	2.9%	6.4%	4.8%	7.8%	37.4%	3.9%	2.5%	1.3%
Per Capita	$47.33	$104.13	$79.22	$128.40	$612.21	$64.71	$40.82	$20.94
Total	100%	100%	100%	100%	100%	100%	100%	100%
Standard Dev.	71	27	75	29	14	51	98	27
Allegany	164	113	140	92	99	178	36	41
Anne Arundel	187	86	70	75	100	90	61	93
Baltimore City	47	109	80	119	79	49	54	101
Baltimore	54	63	0	76	100	177	58	140
Calvert	399	86	20	76	103	1	101	65
Caroline	144	71	55	62	98	73	55	117
Carroll	186	54	21	113	101	48	38	99
Cecil	284	69	53	74	93	116	20	90
Charles	87	101	60	88	87	178	108	35
Dorchester	224	56	40	65	102	59	33	56
Frederick	164	125	109	62	100	81	73	38
Garrett	305	87	30	55	102	151	6	51
Harford	232	93	42	124	94	122	48	88
Howard	119	108	121	135	120	105	116	118
Kent	224	45	86	49	118	82	53	66
Montgomery	131	109	177	145	126	151	312	119
Pr. George's	75	128	146	80	100	61	206	98
Queen Anne's	286	237	36	76	123	81	176	50
St. Mary's	151	73	38	77	88	8	39	90
Somerset	184	133	60	67	104	0	25	38
Talbot	159	79	544	57	104	103	22	103
Washington	75	67	208	61	97	97	57	54
Wicomico	148	77	99	66	101	48	77	58
Worcester	271	157	328	52	125	38	32	58

Source: Ibid.

TABLE F/16

ACTUAL AS PERCENTAGE OF REPRESENTATIVE EXPENDITURES OF ALL LOCAL GOVERNMENTS IN MARYLAND, FISCAL YEAR 1988

County	Total	General Government	Public Safety				Health & Hospitals
			Police	Fire	Corrections	Other	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Scale:							
Percent	100.0%	6.4%	5.7%	3.5%	1.2%	1.2%	4.0%
Per Capita	$1,638.44	$106.19	$93.45	$57.12	$18.97	$19.35	$65.11
Total	100%	100%	100%	100%	100%	100%	100%
Standard Dev.	16	39	32	24	38	43	56
Allegany	94	59	61	78	76	105	83
Anne Arundel	97	129	114	131	97	69	97
Baltimore City	95	164	136	97	120	181	75
Baltimore	92	50	85	85	44	91	239
Calvert	91	77	73	49	256	99	122
Caroline	83	88	51	72	180	17	74
Carroll	87	86	39	78	75	68	137
Cecil	80	69	42	29	161	168	72
Charles	87	53	80	131	120	44	113
Dorchester	81	61	74	65	44	45	61
Frederick	88	61	51	85	84	45	104
Garrett	85	58	25	61	62	30	66
Harford	87	68	69	66	98	59	73
Howard	119	110	99	93	117	121	151
Kent	97	99	63	84	206	39	128
Montgomery	132	100	131	122	127	102	132
Pr. George's	104	117	83	102	90	75	80
Queen Anne's	102	66	33	72	154	80	136
St. Mary's	69	45	40	47	75	92	70
Somerset	81	105	32	52	101	74	84
Talbot	115	65	77	88	132	73	86
Washington	82	49	62	74	121	47	79
Wicomico	84	51	45	66	77	44	71
Worcester	142	135	171	190	289	76	92

Source: Ibid.

4. Policy tools that treat the mismatch of revenues and expenditures in Baltimore

The policy tools described in the following two chapters all attempt to ameliorate the problem of fiscal disparity of cities.

In chapter four I will describe one of these tools: an intergovernmental grant which also aims at improving the competitiveness of Baltimore city by giving funds for economic development activities.

In the following I describe the economic theories underlying the intergovernmental grants, and I will evaluate the CDBG as a policy tool to address the fiscal disparity problem of the Baltimore region.

4.1 The Intergovernmental Grants

The underlying cases for intergovernmental grants

There are major cases in the theory of fiscal federalism to justify the need for intergovernmental grants.

Transfers from the central to the local level can be justified by the fact that municipalities most of the time have more expenditure

needs to finance public services than revenues for it. Usually the capacity of the national government to collect funds is bigger, because central governments can levy income and sales taxes more easily, they do not have to be afraid of the locational effect of these taxes. Most of the time only rich jurisdictions are capable to cover costs from their own funds. If the national government wants to set up a *vertical balance* among the tiers of the government it transfers funds for the discretionary use of the local level (e.g. general tax collection redistribution, or a more complex type of it was the general revenue sharing).

Another major case for intergovernmental grant is to deal with *horizontal inequalities* among local or state governments. The urban development trends in the US highlighted this function of the grants in the past 25 years. Suburban local municipalities with wealthier population, with more valuable properties and less expensive public services have had a much higher fiscal capacity than central cities. The redistribution objectives of grants can take the form of formulas which take into consideration the fiscal capacity of local governments and the needs of the population.[26]

If the national government wants to ensure that localities spend at least a minimum level for a certain service (health care, education) because the service has *externalities* for the whole

[26] Income level, level of unemployment, number of homeless people, share of elderly people in the population.

society it can provide earmarked grants or can provide matching grants.

In cases of public goods and services which have *spillover effects* (e.g. road network) municipalities would not provide more services than from what their residents can benefit. This would lead to more costly services, uncoordinated infrastructure systems in a country or the total elimination of the provision of the service. Federal assistance induces a level of investment which reflects the interests of the whole society, and would not be achieved because of market failure. This is accomplished with categorical grants.

Sometimes a service can be provided more efficiently if the *economies of scale* is taken into consideration. Central governments can encourage local governments to provide services in cooperation.

Intergovernmental grants in practice can not be classified under only one of the above mentioned objectives. Most of the time they have many of these characteristics. General Revenue Sharing treated the vertical and horizontal disequilibrium of governments, categorical grants deal with the problems of externalities and spillover effects.

The different types of grants in the US

Federal and state grants in the US can take several forms, have several different characteristics and are allocated for a great

number of purposes. The history of the different grants and research on this policy tool also show that the choice among the different types of grants is determined to a great extent by political considerations.

All of the federal grants and most of the state grants in America are given under certain conditions.[27] The categorical grants have centrally defined narrow purposes. Local municipalities have to submit detailed applications for the grants, the decision on granting the assistance usually depends on the red tape of federal officials (project grant), or is based on a formula. (formula based categorical grants).

In case of project categorical grants there is always competition between potential recipients to secure grant funds. The skills of program professionals in wording applications and other bidding and trading process between the state, the local and the federal level is called grantsmanship, which plays an important role in receiving aid. Most of the cases political concerns play a major role too in granting aid. Federal officials try to allocate grants to as many jurisdictions as possible and try to balance the amount of the grants distributed among the different cities, regions to satisfy

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[27] There is no general revenue sharing which would distribute a part of the revenues collected on the national level back to the state or local governments on the basis of population or revenue raised etc. The General Revenue sharing Program which allocated funds on the basis of a redistributive formula was in effect only between 1972--1987. However some states do have general revenue sharing programs.

the expectations of politicians who all want to assure funds for their constituency too. Therefore the decision often does not reflect the careful evaluation of cost and benefits of the projects subsidized or can not be justified on the basis of the theories of fiscal federalism.

The grantsmanship aspect of the project categorical grants, and the competition for funds can stimulate local governments and states to increase their level of spending to get the aid, but it can also motivate them to reduce it, showing that they need it very much.

Between 1939 and 1963 many new categorical grants were enacted in the US[28] though the rate of increase was less than at the New Deal. 80% of the grants to states were for public assistance and for highway construction. The federal assistance to local governments - which was much less than the federal assistance to states - concentrated on slum clearance, housing, education.

Under *President Johnson's Great Society program* (1964-66) the US witnessed a proliferation of mainly categorical project grants [29] which became a major policy tool. The large number of categorical grants expressed a new view on the role of the federal government in delivering public services. The "cooperative federalism" meant

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[28] The most significant grant was enacted by the Highway Act of 1956. The federal government provided 90% of the construction costs of interstate highways.

[29] In two years the US witnessed the proliferation of mainly categorical project grants. In two years the Congress enacted 160 new grants.

that the federal government - where it was possible - wanted to create a cooperation among the tiers of the government and achieve the national goals only by financing, initiating and monitoring the programs and delivering the services directly.

The justification of the categorical grants is the insufficient level of local provision because of externalities or spillover effects.[30] Therefore the aim of the grant is to increase the total local spending on a specific activity.

President - Nixon's - Administration (1968-1974) tried to overcome the administrative problems of categorical grants. Nixon declared that he wanted to give more discretion to the local level, because as he put it, the federal government can not give a uniform solution for the problems of very different localities.[31] In 1972 the General Revenue Sharing was enacted and in 1974 the law on the Community Development Block Grant was passed.

The newly enacted *block grants* had a much broader set of objectives, gave bigger discretion to the recipients in the use of the grant, and were mainly allocated to the local level, on the

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[30] Localities would not spend more money for a function than from what their citizens would benefit directly. E.g. none of the localities of a region would want to undertake poverty programs because it attracted poor people into the jurisdiction and therefore reduced the expenditures of the neighboring municipalities too.

[31] He argued that there is "no best way, no magic, universal cure-all that can be dispensed from hundreds or thousand of miles away." (Richard Nixon's Community Development Message, March 8.1973)

basis of a legal formula. Although these grants meant a change in the type of grants and also in the main types of recipients of grants, the number of categorical grants did not stop increasing in the 70's either.

A very important shift took place however in the philosophies underlying the need for grants. The block grants were provided to equalize financial resources of local governments and assure a minimum level of public services from an average tax burden in jurisdictions. The quantification of the "need" has always been subject to political and professional debate. Formula grants - to get a broad political support - have tended to lose their redistributive aim time to time and simply distribute funds to as many localities as possible.

The major intentions with consolidating categorical grants into block grants were to ease administrative burdens of recipients at the application, and to target funds for a particular geographical or functional area. Also, General Revenue Sharing and block grants were two fiscal devices by which elected officials attempted to enhance their own discretion and influence in contrast with program officials at the local as well as at the national level. While categorical grants were mainly distributed by administrative officials in the different departments, the formula of the block grants were enacted by the Congress. At the same time, the categorical grant programs were most of the time implemented by

different agencies at the local level, which were independent from local politicians.

As of 1991 there were 14 block grants in the US which represented about 10% of the total grant outlays, compared to the number of categorical grants whose number was 543 and about 90% of the total outlays.[32] Four block grants are devoted to health care, two for community development, social services and income security. The others include block grants for transportation, vocational education, training and employment.

With categorical grants recipient governments may have to dedicate some of their own funds. These grants are called *matching grants*. The higher the federal matching rate is, the bigger the incentive is to provide the service. In case of block grants and many categorical grants too, the federal governments covers total costs, which are non-matching grants. Matching requirements decreased recently. At present half of the grants have matching requirements, half of them do not.

Almost all of the grants are close-ended, which means that they have a maximum limit of federal funds available. The open-ended grants however reimburse recipients without any limit.[33]

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[32] Data from Characteristics of Federal Grant-in-Aid Programs to State and Local Governments: Grants Funded FY 1991.

[33] Medicaid is an example of open-ended grant in the US.

Maintenance of effort requirements want to ensure that local governments do not substitute grant funds for own source funds. Sometimes grant regulations prescribe that the recipient has to maintain the level of spending for the service in question, or that the jurisdiction's expenditures on the aided function should reach a percentage of personal income. They can also require that the tax collections of the locality reach a certain share of the taxable resources of the inhabitants.

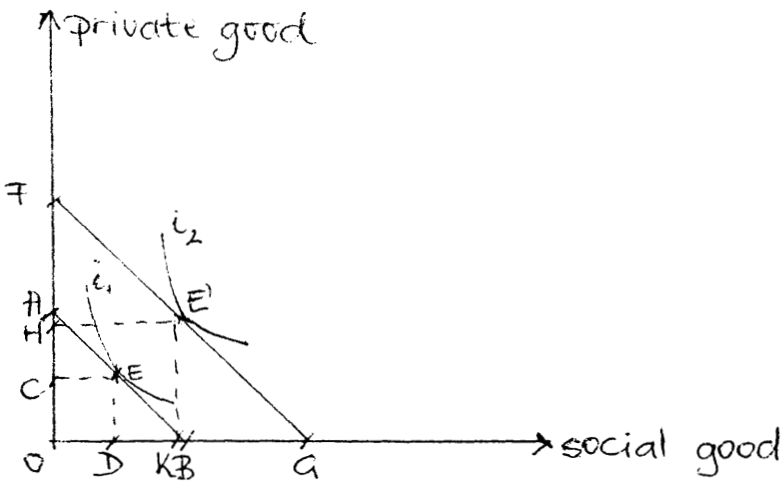
Maintenance of effort requirements seldom achieve their objectives. First of all it is very difficult to measure whether a municipality maintained its level of spending for a certain service, or whether tax revenues reached the desired level. If the regulations request a nominal amount of spending for the aided service, it can be eroded by inflation, or the increasing demand can be satisfied from the grant and not from an own source.

The fiscal effects of grants on the spending of recipients

Economic theories are mainly concerned with the question, whether which type of grants can more effectively achieve the overall goal of this tool: to increase the spending of local or state governments the most for a certain function given the level of the grant. The justification underlying the use of the grant is that the desirable level of spending would not occur without this incentive because of market failure. Local governments would not start spending on poverty problems in their jurisdiction, because

anti-poverty programs attract more poor people, therefore the expenditures of one municipality have spill-over effects. Another example is when the effective demand for some service does not appear on the market because people have very low level of incomes but the provision of the service has externalities for the whole society. Connecting a poor neighborhood to a sewer network can be very important to avoid an hygienic dangers, although municipality may not have enough money to build out the service. In this case a grant can be a good solution, to assure the provision.

Let's examine the effect of non-matching grants on the budget of the local governments.



AB and FG: budget lines

AF: non-matching grant

i1, i2: indifference curves

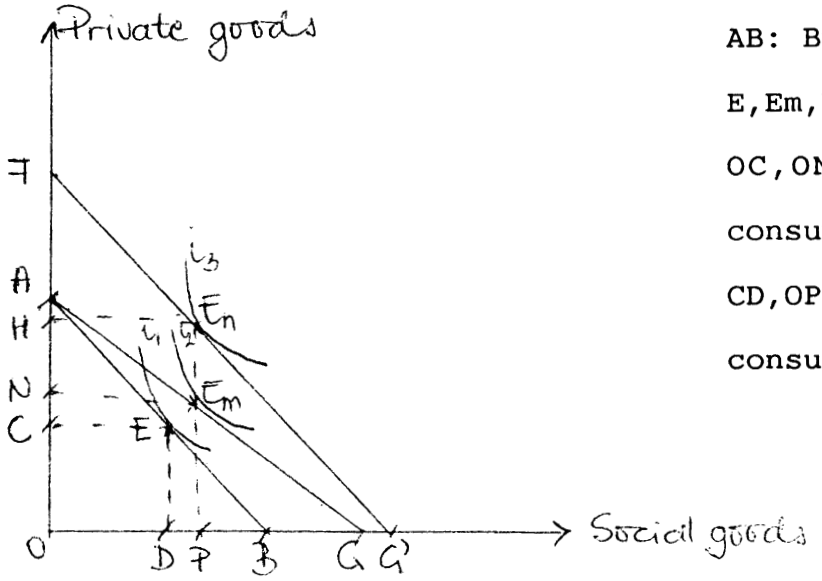
E and E' : equilibrium

With the non-matching grant (AF) the budget line (AB) shifted to FG, with a new equilibrium at E'. In the original situation the purchase of the private goods was OC, while of the public goods OD. With the introduction of the non-matching grant the consumption of social goods is increased by DK but also the consumption of private goods became higher by CH. Originally, the level of private goods surrendered to get public goods _ which is the tax paid by the

inhabitants - was CA, which is reduced to HA after receiving the grant. Therefore part of the grant leaked into increased consumption of private goods through a tax reduction (HA), and only a part of the grant is devoted to buy more public goods.

A matching grant increases the level of social goods purchased from the grant compared to the non-matching grants, because it reduces the relative price of the social good to the private goods. There is still an income effect, as in the case of non-matching grants, which means that the tax reduction does not appear, however there is also a substitution effect because of the change in relative prices. The level of social goods purchased will be higher in the case of matching grants .

If we compare the effects of the two types of grants we can see, that to increase the provision of the social goods with the same level, the local government has to pay less in the case of matching grants. On the figure below it is shown by the difference between the original and the new the budget lines. The new level of public goods is OP. The private good consumption in the case of the matching grant increased to ON, while in the case of the non-matching grant to OH. In the case of non-matching grants the government pays more for the increase of the level of the purchased private goods (EnS), than in the case of the matching grants (EmS), therefore to reach the same level of total goods, it needs more funds.



AB: Budget line

E,Em,En : Equilibrium

OC,ON,OH: Private good consumption

CD,OP: Public good consumption

If the matching grant is close ended, it introduces a limit to the possible increase in spending . The amount of the aided good provided thus will be less than if the ceiling had not been there.

In practice the recipient governments can themselves determine how much own funds they devote for the aided good in case of a non-matching grant. Therefore the influence of the grant can be nominal on the growth of spending on the aided good, rather it may go to reduce the expenditures and therefore the general tax level of the jurisdiction.

According to the analysis, the government achieves its goal - to increase the level of local spending on public goods - most effectively with open-ended matching grants.

4/2 The Community Development Block Grant

The basic characteristics of the grant

The Community Development Block Grant was enacted in 1974, with the consolidation of 5 previous categorical grants. The eliminated grants included major project grants for urban renewal and infrastructure development, but the funds of the new program were available for most of the activities of the antecedent programs.

In the law[34] the Congress defined the main objectives of the grant which was to create viable urban communities, to support low and moderate income households and eliminate blight and slums. This can be achieved by funding housing renewal, public services, public utility improvement etc. The Act included a maintenance of effort provision too[35], and stated that minimum 70% of the funds should be given for programs from which low and moderate income people benefit[36]. The Act puts emphasis on rehabilitation and housing

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[34] 1974 Law on Housing and Urban Development.

[35] The Act defines, that local governments can not use the CDBG to replace some of their own expenditures. They enforce this provision by restricting that CDBG can only be used for those purposes, which the municipality did not provide in the 12 months preceding the grant, unless the Secretary finds, that the "discontinuation was the result of events not in control of the local government." In these cases too, the maximum amount to be used for these purposes is 15% of the total grant.

[36] This later provision was an amendment in 1988??. The original Act did not include a quantified limit. The first modification was enacted in 1982 ? when the minimum level was defined in 50%. This was increased to 60% and later to 70%.

renewal activities, the assistance for the reconstruction of owner occupied housing of those households, whose income is low or moderate.

The regulations make it possible to use the grant for complementary activities (like removal of buildings, clearance, moving expenses of households, administrative costs.) The Law also provides that funds can be used to cover the matching share of federal aid in connection with grants which support similar activities as the CDBG.

Assistance can be given to non-profit and also to for profit organizations if their activities are necessary or appropriate for the programs listed under Title I.

The CDBG entitlement grant[37] is allocated on the basis of a dual formula. Eligible communities[38] can chose the one which is more favorable for them.

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[37] Communities which do not qualify for the entitlement grant, can apply for a certain part of the grant, which HUD distributes under its discretion.

[38] Central cities of a metropolitan are, another city in a metropolitan area with more than 50.000 inhabitants, or urban communities which has more than 200.000 inhabitants excluding the population of eligible cities.

Formula one is the weighted average of

- the population of the city and the population of all the metropolitan areas (1990 Census, weight 0.25)
- The extent of poverty in the city to the poverty in all metropolitan areas (no. of people below poverty level - 1990 Census, weight: 0.5)
- the extent of overcrowding in the city to all metropolitan areas (no. of housing units with 1.01 or more persons per room - 1980 census, weight: 0.25)

Formula two (introduced in 1977) is the weighted average of the ratios between:

- growth lag in the city to all metropolitan areas (lag in population growth- 1960 Census, and the current number of residents, weight: 0.2)
- the extent of poverty in the city to the poverty in all metropolitan areas (no. of people below poverty level, 1990 Census, weight 0.3)
- the age of housing in the city and in all metropolitan areas (no. of year-round housing built in 1939 or earlier - 1980 Census, weigh: 0.5)

Major policy issues concerning the CDBG during the past 20 years of its history

The history of the CDBG and also the circumstances of its enactment can be characterized by three major debates. The first concerns the discussion over whether the CDBG is mainly a developmental or locally redistributive program, the second one is related to the appropriateness of federal involvement in other words the discretion of localities in using federal funds. The third debate which lead to the first amendment of the regulations, concerns the allocation formula, the extent of the redistribution at the federal level.

The first debate includes the choice between two possible strategies: whether to put the emphasis on a fiscal goal, to ensure that central cities become competitive with the suburban neighborhoods or to help poor neighborhoods and individuals.

The first policy objective can be achieved by increasing the property values in a neighborhood, the retention of the middle class in a community, and gentrification. These objectives would neglect the problem of the poor, and try to attract capital or more wealthy people in the community which could give a long term fiscal basis for more developments in the city. Under these policies, localities are more likely to chose neighborhoods which are not so poor, the middle class population is not nominal, and the infrastructure is not seriously deteriorated. Funds would be

invested in housing preservation, mainly in the owner occupied sector, investments in community upgrading facilities like swimming pools e.g.

At the same time the other strategy would concentrate on rental housing, the upgrading of substandard homes, providing public services etc, briefly to target funds to low and moderate income households.

The 1974 Congressional debates brought the success of those who supported the overall revitalization of cities. The political standpoints were not really determined by party lines but rather by the geographical location of the constituencies of the members of the Congress.[39]

The original text of the Law did not include precise conditions on how much of the grant should have been spent on low and moderate income families, although it included it in general terms. The political consensus rather supported those who were for the developmental objectives.

However the targeting requirements were changing over time. HUD

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[39] Southern democrats did not support e.g. the redistributive ideas, although it was more in line with democratic philosophy, because their cities needed sum clearance and major infrastructure improvements. Those who favored the anti-poverty programs of community development were rather from the North-East or Middle-West, where central cities had well built infrastructure and relatively good housing but a high proportion of poor population.Source: Block Grants for Community Development. The Brookings Institutions. HUD, Washington D.C. 1977.

applied a 70% standard during the Carter era which restricted the use of the CDBG compared to the original law, although the review of the use of the money was not strict at all. Parallel to the cut in the funds the Reagan Administration reduced the limit to 50%. At the end of the 80's, the deepening problem of the central cities shifted the focus of community development from the development side to the anti-poverty part. The standard was increased to 60 (1987), and then to 70% (1989).[40]

The Clinton Administration would like to clarify and relax regulations on business development, and - as President Carter - increase the proportion of development programs in the spending of local governments from the CDBG. Expectedly the low and moderate income standards will not be taken into consideration so seriously as at the and of the 80's.

The history of the CDBG and also other experience show that in the case of federal budget expansion, the total outlays for grants increase and the targeting gets stricter (Carter, Bush). In the era of fiscal retrenchment, the targeting gets less important, and a general economic development goal gets in the center of the policy (Clinton), while total outlays drop (Reagan).[41]

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[40] The five large cities which get 60% of the CDBG had already met this standard before its enactment. The small cities which were better off, had to change their spending patterns.

[41] M.T. Wrightson - T.J. Conlau: Federal dollars and Congressional Sense: Targeting Aid To Poor People and Poor Places. In: Research in Urban Economics. Ed. by Michael E. Bell. Vol.7. 1988. State and Local Fiance in an Era of New

The other subject of big debate since the 60's was the issue of federal intervention.

The enactment of the CDBG was preceded by major debates, which showed the fear of politicians and officials at the federal level that they will lose the power over the considerable amount of funds. [42]

Between 1974-1977 the federal involvement in planning for community development was really lower than in the era of categorical grants. However under different Presidents - especially under Carter and Clinton from the Democratic Party - the administration tried to extend its role.

Carter tried to introduce the neighborhood strategy areas, targeted neighborhoods, where they could have concentrated funds, and introduced waivers on spending of public services in those localities where the municipality defined these neighborhoods.

Clinton proposed the consolidated planning for CDBG, which would

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Federalism.

[42] The main issues of the debate were as follows:

- how will national objectives be achieved under a system of so broad decentralization, how will the national government be able to monitor the spending of funds.

- how will the mayors be able to fight against the political pressure of middle income neighborhoods, and target funds to poor areas.

require one "holistic" plan for the application of four housing and community development related programs.[43]

In the case of this program the same problems arise as in the case of Carter's initiative: the question of how HUD can review these plans. If planning requirements and the standard of performance were clear, the HUD field office would have a clear basis on which to approve or reject plans. The solution then would be a kind of return to the categorical grants, because planning requirements could not be defined by law, and - in the absence of clear requirements - the approval or rejection of plans would be the discretion of HUD officials again.

Not only the politicians, but also the administrative staff of the Department of Housing and Urban development and other government agencies fought for bigger power. To achieve bigger oversight and control on the programs more and more administrative requirements, standards and detailed reporting regulations were introduced. The scope and the number of these regulations increased over time.

The third debate concerns the allocation of the funds at the federal level. The introduction of the dual formula in 1977 signaled too, that the strong political support, and therefore the

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[43] The three other program are the Emergency Shelter Grant (a block grant to deal with hopelessness), the Home Investment Partnership (HOME, which stimulates low income people to buy own homes) and the block grant called Housing Opportunities for the Persons with Aids.

geographical dispersion of grants versus the concentration of funds to a limited number of jurisdictions is a precondition for the existence of such a big program. The redistributive aims of the program were weakened by the introduction of the dual formula[43] and also by the increase of the small cities program[44] in 1980's.

Local planning for the distribution of the CDBG funds

The 1974 Act provided that the CDBG program is administered by the Department of Housing and Urban Development (Office of Community Planning and Development). The authority is divided between the regional field offices of HUD and the Headquarters, with more tasks at the HUD field office.

The major steps of the program include tasks related to the determination of current or new policy objectives and guidelines of the program in the scope of the national goals declared in the original Act, the appropriation of the funds in the budget at the federal level, the application for eligible funds, implementing the program at the local level, the monitoring of the performance and the evaluation of the use of the grant.

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43 The original formula clearly favored the smaller, suburban cities in the south. In 1977 another formula was adopted to "correct" this mistake which allocated more funds to old northern central cities. It was clear that CDBG needed the political support of members of the Congress who could be satisfied by channelling money to their jurisdiction.

44 The small cities program allocates money to the states. Cities can apply for grants to their state. Small cities are better off in the US. The increase of their allotment meant a decrease in the redistribution at the federal level.

Field offices are responsible for the administration of the program in practice. The final statement of local communities which includes a list of the proposed activities financed from CDBG in the jurisdiction is reviewed by the field office of HUD.

Local planning for the distribution of CDBG funds can take several forms, depending upon whether the city in question has a strong mayor system or whether it is heavily influenced by the city council. In the first scenario, the mayor defines the objectives of the CDBG spending, and sets overall priorities which can define the use of the money to a certain extent. In these cases subrecepients may be determined beforehand, without competition. The other extreme is if the funds get distributed on the basis of an open application process. In this case the fund would be spread among the different neighborhoods, because the council members could influence the allocation. Programs in these jurisdictions are of smaller scale using a smaller amount of money.

Most of the systems are in between the two above described extreme cases. In both cases however, the executive official who has an oversight on the implementation of the different projects and the relevant regulations, can have a very important effect on the allocation of funds by giving, or retaining information on the recipients' performance, and by judging them.

Studies found that municipalities tend to spend their money with a

big geographical dispersion, preferring to give each neighborhood a little money rather than concentrating on bigger projects in a certain area. The reason behind this is that the smaller projects are less likely to cause big debates and public resistance and the program is more smoothly adopted. As someone noted, the cities want the funds with no restrictions but at the same time the lack of federal regulations leave the grant for everything to everybody.

At the same time local governments are not encouraged to spend their money on one project because they have to spend their fund quickly and fully, otherwise HUD cancels any unused portion of the grant. The grant is not flexible enough to deal with surpluses because of the fluctuations or problems in a big program.

According to the latest statistics (1990) 40% of the funds are spent on housing related activities, mostly to rehabilitation (new construction is prohibited under the CDBG regulation). 21% was spent on public works which included street improvements, construction or renovation of social centers, water and sewage system etc. For economic development (aid to for-profit businesses) 13% of the fund was spent. Public services are the last in the row with 9%.

After the completion of the program the recipients have to submit a General Performance Report to the field office of HUD, which is the single most important document of the program. Therefore, the

use of the grant is controlled after the project has started. The report has to include the detailed description of the activities, and whether the grantee's activities met the national objectives determined by the Law. [45]

Field offices usually find smaller problems of non-compliance in the GPR-s. These can include insufficient data on cost allocation or on beneficiary households, and questions whether particular activities not described in details in the final statement are eligible or not. [46] The reduction and the withdrawal of the funds are really rare, because they involve a really difficult legal process.[47]

These planning and administrative procedures show the difficulty of both the federal and local governments to break down general and complex objectives into programs. By defining the scope of eligible activities, and other requirements, the federal government wants to

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[45] Field offices start a thorough review process of the GPR on the basis of a number criteria, including:
- whether the activities meet national objectives, that is whether the projects can be categorized in one of the activities highlighted by the law, or whether they were eligible.

- whether it meets the benefit test (there is an overall benefit test - 70% - and also each category has a separate benefit standard what local governments have to meet.)

[46] The field office of HUD in Baltimore complained e.g.that the city did not have adequate time-keeping systems, which made it difficult to judge whether the administrative costs allocated to the CDBG were justifiable or not.

[47] The administration gives more possibilities to correct action. First the recipient is asked by the field office , but if this is not successful, a series of informal hearings take place in Washington, or in front of the Administrative Law Judge of HAD. HAD can make recommendations to reduce or withdraw the fund only after these procedures, but it can only fight legally.

assure the achievement of the national goals. What it does however, is that it checks detailed administratively defined objectives and standards which do not really tell whether a recipient spent the funds appropriately for its community or for economic development or just met the administrative criteria which can not measure the overall results.

At the same time political reality and the administrative requirements of the grant restricts the possibilities of a city to chose that program or project which would contribute the most to its development. Funds can not be concentrated on a small number of big projects, as entitlement have to be spent fully each year, and has to be spread to fulfill the political expectations of council members. Also the low level of the entitlement grants contribute to a kind of short-term thinking on the spending of funds.

4.3 The use of the CDBG grants in Baltimore city

The planning process

In Baltimore the planning process for the CDBG is an open competition. Institutions can submit proposals for the funds, and the panel[48] - the decision making board - decides to which organizations or to which proposals to grant the money. The

[48] The members of the panel are: Director of the Planning Department, Commissioner of Housing, Deputy Commissioner of Housing, the Planner and the Project Coordinator of the area in which the project is proposed, and the director of CDBG procurement.

decision is made on the basis of the following considerations:

- whether the proposed project meets the city's overall objectives of community development
- whether there are other activities going on in the area, and if the proposed project can fit to those projects,
- whether other funds can be leveraged or are proposed to be leveraged for the project, how easily can they be leveraged and when these funds are available
- how much benefit the city gets from the project.

The measures the city uses when it evaluates benefits are: the increase of the tax base, the improvement of the housing conditions, the increase in the number of jobs.

Funds are granted to other city departments, non-profit organizations, and for profit institutions too. The total amount of the proposed projects usually reached the 60-70 million dollars, while the city can only grant 18 -19 million dollars a year. However for refused programs the coordinators may find other sources.

Council members try to influence the decision by writing letters, or recommending applications on the phone to the members of the panel group. Their effect however is not so significant as the mayor's and his political appointees.

The city council is also required to held public hearings on the proposed activities and the possible changes in the plans. Communities can influence the decision through public hearings, although it is very unlikely that people not involved in the process of CDBG budgeting and regulations are able to understand and criticize the proposed activities in two weeks after notification.

Baltimore is a city with a relatively strong mayor system. The mayor's strategies in community development give a strong frame for the use of the CDBG funds through the Community Development Plan and through the role of the Commissioner of Housing in the planning process. The Commissioner of Housing is a member of the panel which decides on projects and at same time is appointed by the mayor and has a very close relationship to him. The present Commissioner has very strong ideas of how to implement the community development objectives.

The use of the funds

Baltimore city was allocated 28.4 million dollars CDBG entitlement grant in 1994, which means a $ 6 million increase compared to 1989 and $ 0.6 million increase compared to last year. (The annual entitlement are shown in Appendix A. Table 15.)

In 1992 the city gave money to around 100 different projects of bigger and smaller scale. The projects which concentrated to a

particular neighborhood (around 30) were of smaller scale, the funds ranged between 450 dollars to $ 1,480,000 for the current year. Most of the funds were between 150,000 and 300,000 dollars, which gave a total of about 5.2 million dollars.

The city wide projects amounted to about 9.7 million dollars for about 30 projects. The amounts for projects were higher, between $10,000 and $1,356,000 dollars, with more projects between 500,000 and 900,000 dollars compared to the area projects.

The city wide projects mainly included loan funds for rehabilitation, and grants for public services and economic development.

The Special Project for Neighborhoods category had about 1.2 million dollars. The amount of about 30 activities ranged between 10,000 and 210,000 dollars. Most of the projects received about 50,000 - 70,000 dollars.

From the overall picture of the use of the grants some conclusions can be drawn. The number of the projects are enormous, the funds distributed are of a relatively low level. Leveraging of the CDBG fund with other grants and private funds are relatively high in Baltimore.

Most of the funds are devoted to "community development" which

means that the money is allocated for projects which have "only " a local effect. These mainly include housing rehabilitation, and commercial revitalization. Out of the $28 million of allocation about $6,6 million is used for public services. Large scale economic and business development projects are rarely financed from the CDBG (about 10% of the funds are devoted to that).[49] This is however a change in the strategy of Baltimore to use the federal grant. The change may be due to the stricter targeting requirements of the federal government, but it can be in connection with the slow down of the economic and business development activities in the city.

In the 70's and 80's Baltimore invested huge amounts of money to the revitalization of the Inner Harbor. A big part of the CDBG fund was also devoted for this purpose. According to the three year Comprehensive Development Strategy (1980) about 50 million dollars of CDBG funds were spent for commercial and touristic rehabilitation of the Inner Harbor.

By the 90's, Baltimore's overall development strategy changed. A big emphasis is put on the reduction of property tax rates and the retention and attraction of middle class residents and high-

[49] In the 1990-1995 Development Program of Baltimore I found only two projects which were commercial development activities and were proposed to be partly financed from the CDBG. $1,400,000 was scheduled to cover the debt payments for the Inner Harbor East development and the future funding of the Center City Development Corporation. We can compare it to the 1980 Development Plan of the city, which devoted funds for the urban renewal of the Charles Canter, the Hyatt, the Cadillac Fairview, the Harborwalk, the financial district etc.

technology firms. At the same time the new leadership seems to try to balance commercial development activities and local neighborhood revitalization. According to their strategy the revitalization and continuous development of the Inner Harbor - the main focus of the 80's - is not a sufficient strategy. [50] The housing and local commercial rehabilitation projects serve mainly low income families. With this change the use of the CDBG became more redistributive at the local level as opposed to the 80's when pure commercial developmental objectives were in majority.

Conclusions on the effect of the CDBG in Baltimore

When the CDBG was enacted in 1974 it was meant to be a grant for mainly developmental purposes. The redistributive element of the fund in the 70's and 80's was not strictly implemented. According to the federal requirements Baltimore used the funds to complete the private funds, loans and own sources to implement its "aggressive" business and commercial development strategy.

At the end of the 80's the focus of the CDBG changed. The redistributive element of the grant became more important than before. The change in required benefit standards were in line with the change of Baltimore's development strategy. Baltimore uses more funds for developments and services which benefits low income groups directly.

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[50] Preliminary Strategic Financial Plan for the City of Baltimore. Department of Finance.1991.

The main question concerning the effect of the CDBG on Baltimore city is whether this policy tool achieved its goal or not. The defined objective of the CDBG in the law is to create viable urban communities. One characteristic of a viable urban community is its sound economic and financial background. Therefore the question we raised is whether CDBG addresses the fiscal capacity problem of the city or not. The ultimate objective of the grant should be to decrease relative fiscal disparities and increase the city's capacity to fund public services at an appropriate level and reduce the tax effort to the average state level. Therefore the basic question is whether CDBG contributed to the long term capacity of the city to reduce taxes and to be competitive with the neighboring jurisdictions or not. Is the CDBG well designed to do that?

According to the evaluation of local officials the CDBG program was successful because it added 1.5 billion dollars to the city's property tax base. Therefore it contributed to the long term revenue increase of Baltimore.

However, the $1,5 billion increase did not protect the city from raising the tax rates, which at present are the highest in the state. The extremely high tax effort of the city did not change during the past 20 years either, therefore Baltimore can not attract significant amount of capital. Financial disparities did not get better in the region.

It seems that the CDBG grant did not really make a long term change in the life of Baltimore, which would have reversed the unfavorable tendencies in the city. First of all the allotment the city receives is not enough to finance high scale developments, especially not in a situation like the city is in 1994, when it can not even finance the same level of operating budget as last year, and therefore can not leverage private money to the grant. In a city with decreasing revenues and limited possibilities of leveraging funds, the grants for economic development would only achieve their goals if they could finance the most of the costs to restructure the economy, which is politically impossible. The local political realities also have to be taken into account. Funds, even if they were enough to start bigger economic development programs, are distributed with big geographical dispersion at the local level too . The allocation of the money to as many neighborhoods as possible is the interest of the present mayor of Baltimore too for example, whose constituency includes the poor black people.

The problem of insufficient redistribution at the federal level partly derives from the political circumstances a program like CDBG is designed and implemented. The reason behind that is that big grant programs can only be passed in the legislation and maintained with big political support. Congressmen more likely vote for a program if it allocates funds to their jurisdiction too. A really big redistribution of funds at the national level can not be

imagined in the case of a big grant like CDBG.[51] Therefore the funds Baltimore gets are not sufficient to bring serious changes a in the declining economy of the city.

Can it contribute to the reduction of tax rates then ?

The CDBG as a developmental program has always been a target of debates at the federal level. This is because developmental programs are really difficult to justify. The case for federal intervention - the increase of fiscal capacity of a local government through economic development activities - is not strong enough because grant funds go to richer cities as well which could develop their jurisdictions without federal money too. To avoid the "misuse of funds",[52] the spending on those developments which should not be financed from intergovernmental transfers, the legislation pushed the program towards more local redistribution. Local redistribution at the same time can be justified by the fact that the jurisdiction which devotes money to the treatment of poverty collects poor people from the neighboring local governments which do not have to spend money on that any more. The elimination of poverty has externalities for the whole society too.

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[51] According to a study prepared by the Congressional Budget Office (Congressional Budget Office: "The Federal Government in a Federal System. GPO. 1983.) block grants reduced disparities by only 2%.

[52] A good example of that was when one of the southern cities spent a part of the CDBG constructing tennis courts.

The redistributive and developmental aims - that is the categorical side and the equalizing side - of the CDBG are in contradiction with each other. Projects which aim at the rehabilitation of deteriorated housing and local retail trade will not gain a tax base increase which will be sufficient to reduce tax rates and attract more business and middle income households. It may reduce poverty to a certain extent which decreases the necessary expenditures of the city (and the neighboring counties too) but it does not change insufficient level of revenues. The redistributive part of the CDBG is justified by externalities and spillover effects - as categorical grants, which justifies the allocation of the CDBG to richer recipients too. In poorer cities however the developmental activities financed from CDBG - which could be justified by the reduction of fiscal disparities - are limited this way. The Congress designed a policy tool with which it wanted to achieve two different aims, which does not work.

Instead of allocating money to at least two different purposes - to eliminate poor neighborhoods by financing mainly housing and retail projects and to motivate economic development - the CDBG should either target :

1. the reduction of relative fiscal disparities and allocate funds in a more redistributive way at the federal level and not restrict the use of funds. In this case the federal government should allocate money in the form of general revenue sharing. The

purpose of the GRS would be to ease the fiscal burden of municipalities and would directly target tax reduction. The formula for allocation could take into consideration the Representative Tax Revenues and the Representative Expenditures of local governments. The GRS should not restrict use, it could go directly to the General Fund of the cities which could use the money as an extra tax revenue. Use restrictions would make it more difficult to collect extra taxes and would make the reduction of tax rates impossible. GRS however would decrease the tax rate immediately and attract residents and businesses more effectively.

2. The federal government could allocate funds to fight poverty with grants for housing rehabilitation, community revitalization and public service improvements. If the federal government wants to achieve that the municipalities spend more for these purposes than they would otherwise spend, a matching grant would be the best solution. As we saw it in the part on the analysis of the spending effects of grants, matching grants are more likely to increase the spending on a specific purpose than non-matching grant. The formula of allocation could take into consideration the Representative Expenditures of the cities especially for the targeted purposes, the Representative Revenues of the local jurisdictions and the physical conditions of the subsidized services.

5. Alternative Policy Tools that Treat the Fiscal Disparities of Cities

In chapter four I analyzed the influence of the Community Development Block Grant on Baltimore and found that it did not really improve the fiscal capacity problem of the city. I concluded, that with one policy tool it is impossible to achieve two different aims. The CDBG does not work because it is designed to address some aspects of poverty and at the same time it is devoted to decrease the fiscal disparities through economic development.

In the following chapter I will describe the alternative policy tools which could address the problems of fiscal capacity of Baltimore. In addition to the brief theoretical discussion of these tools an example from Baltimore city is presented where possible.

I start by describing the underlying cases for the distribution of tasks among the different tiers of government on the basis of the theory of fiscal federalism and I examine a few cases of reassigning tasks between Baltimore city and the state of Maryland.

A part of the policy tools described directly concentrate on the spatial fiscal mismatch problem. The spatial mismatch hypotheses analyses the relative fiscal disparities between suburbs and

central cities. The flow of middle class households form the central cities and the decentralization of workplaces is a process which can be a major cause for the decreasing revenues of central cities and at the same time, the much higher expenditures on social services, public safety, and health care. A recent study[53] on 35 cities shows that cities spent 1.51 $ per capita for every $1.00 spent by suburban governments.

The city-suburb fiscal capacity differences can be treated by taxing a whole region, expanding the city boundaries to include tax revenues of the suburbs, creating special districts for providing specific services, targeting state aid and federal grants to poorer jurisdictions.

The introduction of user charges - another policy tool the study looks at - can be a useful tool for substituting tax financing, but only in the case of private goods, and only if the population has effective demand. When goods or services have externalities the introduction of prices can have a negative effect on the society.

5.1 The distribution of tasks among the different tiers of government

According to the theory of fiscal federalism the roles of the central government in a market based economy is limited to

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[53] R. Bahl, J. Martinez-Vazquez and D.L. Sjoquist: Central City- Suburban Fiscal Disparities. Public Finance Quarterly, Vol. 20/4.

stabilization, allocation and redistribution. These tasks can only be carried out at the central level.

Local economies are quite open economies. Therefore the case for economic stabilization programs at the national level is clear: local spending on stabilization would have an effect on a whole region an not only on those who financed the programs from taxes. These programs would not achieve their ultimate goals because part of the benefit would leak into other jurisdictions. At the same time economic crises are usually national in scope, therefore the elimination of the problem can not be achieved by local policies.

If redistributional objectives were set locally, households would have strong incentives to move from one locality to the other. The locational effect of favorable redistributional programs on the level of local municipalities would lead to the concentration of poor people on one area, which would increase the level of burden on that government and decrease the capability of that jurisdiction to assure the same level of redistribution in the future. The redistributional objectives are achieved more effectively, if the programs are set at the national level.

The need for public allocation occurs if the free market does not provide a sufficient level of certain goods or services.
However a locality is interested in producing public goods to the extent its population benefits from it. Therefore some public goods

would be underproduced in a decentralized decision making system. The central government would more likely provide or set incentives for the production of the appropriate level of the services or of goods.

The role of local government in this system can be underlaid by the following.

There are public services whose beneficiaries can only be found on the territory of one jurisdiction, therefore it is the local government which is in the best position to decide what kind of delivery and financing mechanism it should use to provide the service.

Also, local provision makes local governments more accountable nd responsible, because people can link the costs of the services (taxes) to benefits more directly, than in the case of centrally financed or delivered provision.

In the case of greater decentralization of tasks municipalities can also decide themselves more freely on what to spend immediately and what investment or expenditures to postpone, what kind of public service to offer for residents. A central uniform system of public service provision can be inefficient, because the central government can not tell whether the inhabitants of a given jurisdiction prefer that service or not, or how much they would

like to consume from that good.

Decentralization also increases the freedom of localities therefore it can contribute to the process of democratization which is politically advantageous.

In different sectors of public services a different level of decentralization is appropriate. In each case a trade-off should be found between effectiveness and the level of decentralization.

Some current issues of realigning tasks between the different tiers of the government in the US and in Maryland

Major public responsibilities are distributed among the federal state and local governments (including special districts) in the US. The pattern of service responsibilities is shown in the table[54] below:

Function	**State**	**County**	**City**	**Special Authority**
Public Education	X			X
Higher Education	X			
Welfare	X	X		
Health/Hospitals	X	X		
Sanitation			X	

[54] Source: Comer S. Coppie: Fiscal and Program profile of the District. (The Conference of the Government of the District of Columbia, June 19, 1976.)

Function	State	County	City	Special Authority
Water/Sewer		X	X	
Mass Transit			X	X
Police/Fire		X	X	
Finance/Control	X	X	X	X
Motor Vehicles	X			
Courts/Corrections	X	X	X	
Recreation		X	X	
Housing/Renewal	X		X	

Recently major changes have occurred in the US concerning the distribution of tasks among the three levels of governments in the country. The trend shows that the federal government has shifted more responsibilities to the state and local governments by the 90s.[55] Studied made on the realignment of tasks argue that these changes were not underlaid by a comprehensive theory.[56] All these

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[55] Between 1981 and 1990 federal spending and revenues for domestic purposes increased 78 and 60% respectively. At the same time total state and local own source spending and revenues increased with about 110%. The federal share of the local own source revenues fell from 62% in 1962 to 54% in 1987, while the state shared increased from 17% to 26% and the local own share from 19% to 21%, over the same period. Source: Michael E. Bell: Tax-Base Sharing Revisited: Issues and Options. 1991 May. Institute for Policy Studies, Johns Hopkins University.

[56] Reference to the book Alice M. Rivlin: Reviving the American Dream: The Economy, the States and the Federal Government (Washington D.C., The Brookings Institution, 1992) In Michael E. Bell above mentioned study.

changes have major effects on the spending responsibilities of states - including Maryland - and cities - including Baltimore - and the relationship of the two of them.

If we examine intergovernmental relations between the state and local level in Maryland, we can see that the picture is quite complex. The sharing of fiscal resources, policy making authority and administrative responsibility between the two tiers of government is different in the case of every function. In most of the fields of public provision both the state and local governments play some kind of a role. There are services where the state sets the policy goals and finances the service to a certain extent, but the delivery of the service is the responsibility of the locality (public health). At the same time there are many functions where the state government sets broad regulatory standards of operation, but both financing and delivery is the responsibility of the locality (e.g. fire and police protection). There are areas where the role of the local governments is minimal (like Juvenile Services, Agriculture).

In the 70's important discussions started about the distribution of public health functions in Maryland. A major part of the public health services were financed by the counties and Baltimore city, therefore the quality of health services differed county by county depending upon their revenue raising abilities. Although there are important cases for the decentralization of the delivery of some

public health functions, because the priorities in jurisdictions vary, to set minimum health programs and operating standards are necessary, to insure that citizens receive adequate health care throughout the state. The Maryland Commission on the Functions of Government[57] recommended in the 70s that a minimum level of health service should be financed by the state government, and the state is also required to share in the capital costs for the carrying out of the health programs. Local governments are responsible for any supplemental programs, or for programs of more local nature.

This example of realigning responsibilities between the state and the local level can be a good solution for reducing financial burdens on local municipalities. The basic principle behind the state assuming greater fiscal and policy setting responsibility is that the benefits of setting the minimum level of public health spills over one jurisdiction. If inhabitants of a local government do not receive a decent level of public service, the unfavorable consequence of this endangers the hygienic conditions of the whole state. At the same time Baltimore city - where the poverty rate is high, therefore the need for public health provision is bigger too - will gain proportionally more than those jurisdictions where this need is not significant. This bigger share in the funds of the state can also be justified by the fact, that if Baltimore deals with the problem of a concentrated number of poor households, the

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[57] The Commission was set up in 1972 to give recommendations on the different public functions concerning which level of government should be responsible for providing it.

neighboring jurisdictions do not have to be concerned with this problem.

The evaluation of the existing delegation of responsibilities among the different tiers of government on the national or the state level should focus on whether the spending responsibilities and the revenue raising responsibilities are in accordance with the revenue raising ability of that particular level of government so that they can fulfill the assigned tasks. In the case some tasks are taken over by a higher level of government, justified by cases presented at the beignning of this chapter, and there are important cases for decentralizing the delivery system to a lower level, the government can assure the service by financing one portion of it or by financing the service completely. If the decentralization is not justified, the direct government provision can be a solution.

5.2 Tax base sharing [58]

Tax base sharing in the US has many interpretations. In the case of the general type of tax base sharing practices, the state government shares the income or the sales tax base with its local governments. It means that local governments can impose sales taxes on a tax base defined by the state or at their discretion (Arizona). In Maryland local jurisdictions can levy local income taxes on the same base as the state tax where the ceiling on the rate is determined by the state.

[58] This part is written on the basis of Michael Bell: Tax-Base Sharing Revisited: Issues and Options. Johns Hopkins University, Institute for Policy Studies. May 1993.

In these cases the state exercises a vertical distribution of sources by letting the localities use a base which otherwise the state could use. The underlying case behind the introduction of a general state wide tax base sharing is the decentralization of resources and decision making. The state lets its subordinate governments use the fund of the tax on the shared base at their discretion. Usually states do not allow local governments to levy income or sales taxes completely freely because of the big locational effect of these taxes. However, in the above mentioned cases of tax base sharing either only the base or both the rate and the base are defined or limited by the state government. Big differences among the jurisdictions are less likely to occur therefore people are less likely to move to another jurisdiction.

In some states, local governments share a tax base to provide a particular service. (E.g the Bay Area Rapid Transit System) The financing of a regional transportation service like the one in the Bay Area example can be justified by the benefits received principle. Not only those who travel by the train benefit from it, but also every household and business in the neighboring jurisdictions. Therefore it is justified to finance this system partly from taxes from the region, in addition to fare box revenues.

The tax base sharing method can also be used to reduce horizontal inequities among jurisdictions in a metropolitan area. Horizontal

inequities exist in an area if the different local governments have to levy different tax rates to provide the same level of services. The reason for that can be - the case of Baltimore - the low value of the property and other local tax base and the increased level of public service expenditures. This type of tax base sharing recognizes that to be able to develop in one jurisdiction, that is to increase the local property tax base - other jurisdictions of the metropolitan area have to contribute too. (elimination of air pollution, treating hopelessness and poverty, securing the infrastructural provision of the area.) It is not the interest of any suburban jurisdiction that the central city get seriously in trouble, because it would reduce the attractiveness of the suburb too.

In the type of tax base sharing that was introduced in Minneapolis/St. Paul, each jurisdiction is required to contribute 40% of the growth of its commercial and industrial property tax base since 1971 to a common pool. The fund is allocated back to individual local governments based on an index which measures the relative differences of jurisdictions in the value of their fiscal capacity measured by only the equalized market value of the real property[59] in the jurisdiction.

The property tax revenue of each locality therefore composes of two

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[59] The equalized market value eliminates differences deriving from differential assessment levels.

types of sources. The non-shared proportion multiplied by the local tax rate, and the shared proportion multiplied by the average tax rate in the metro area. As the shared proportion is increasing over time the tax rates of the localities get closer to each other.

Under a Minnesota type tax base sharing Baltimore's tax base share from the pool would exceed its contribution considerably, because the per capita assessed value is much lower in the city than the state average.[60] As a result of the tax base sharing the city's property tax base would increase, and therefore the revenue from the property tax would raise as well. However, as the city's property tax rate is very high (twice as much as the state average), and at the redistribution the allocated fund is multiplied by a state average tax rate, the increase in revenues compared to the revenue without tax base sharing is (5%) much less than the increase in the tax base (12%). At the same time the revenue increase would be much higher in a few other jurisdictions (even 26.7%), because their tax base, and - more importantly - also their tax rate is low.

If the tax base sharing were implemented on the basis of the Minnesota type design in Maryland, the policy tool could be evaluated as a failure, because Baltimore city, the jurisdiction which has the worst fiscal capacity among all local governments in

[60] The per capita assessed values are the elements of the allocation formula of the pool. The Baltimore assessed value per capita is divided by the Maryland assessed value per capita.

the state does not get the highest amount back, therefore its fiscal capacity does not grow as much as would be desirable.

However the redistributive goal of the tax base sharing could be achieved with the inclusion of other indices in the allocation formula., eg. an index of expenditure needs in the case of Maryland, which would increase Baltimore's share considerably.

Tax base sharing can be a good policy tool to reduce the differences of the tax rates among jurisdictions in a metropolitan area, and can increase the competitiveness of the central cities, if reallocation of the shared tax pool is carefully designed.

5.3 User charges

User charges are like prices on the private market, they are voluntary payments, the beneficiaries can be distinguished, the non-payers can be excluded. In cases when externalities do not exist or are nominal, charges can be introduced to cover all costs of a service, and establish a direct link between the revenue and the expenditure side of the budget. (Utility charges)

However a number of goods and services provided by a municipality have public good characteristics too, because external benefits occur. Most of the services financed by user charges have private as well as public good characteristics too, and usually only a part of the costs are covered by the payments of the individual

beneficiaries, the other part is covered from taxes.(User charges.) Many times it is the localities discretion to judge whether the provision of a certain service has important advantages for the neighborhood, therefore financing from taxes should be increased.[61] Sometimes it is also difficult to define those services - most of the time as a part of broader functional categories - which have individual beneficiaries and the fee can be charged for them. (False alarm for fire protection or police e.g.)

In case of pure public goods, no one can be excluded from the consumption, - like environmental protection - and the individual's consumption does not reduce the benefits of the others. These public goods are financed from general taxes, and do not vary according to the benefits received by the consumption of a good financed form the tax. The case for financing municipal services exclusively by taxes include provision of public goods where the beneficiary is the whole population. In this case individuals receiving profit from the service can not be identified. (Most part of the police, fire protection etc.)

When local governments consider the introduction of a charge first they have to examine whether that service can be financed from fees, in other words whether it has private good characteristics

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[61] User charges can take the form of reduced fees for a local transportation system or a local library e.g. in which case the local government considers the service to have external benefits, like the increase of consumers in a shop on the route of a transportation service, or the increase of the educational level of the inhabitants.

which can be identified, and a price can be levied on them. User charges can be introduced only if:

- the service does not have major external benefits, in other words beneficiaries are identifiable, individuals can voluntarily buy the service and those who can not pay can be excluded,

- the introduction of a fee does not hinder certain groups of the population to get at least a minimum level of service (because only effective demand appears on the market),

- there are no such kind of equity standards or redistributive tasks which would be hurt with the elimination of a free service,

- administratively it is feasible to introduce a charge (to introduce an entrance fee to a park is not)

- the demand has some elasticity therefore introduction of a fee - like a price - eliminates over consumption and helps better allocation of resources.

The introduction of a benefit related charge has immediate positive effects in terms of equity and efficiency too. Benefits can be measured if we compare user charge financing to the alternative tax financing.

Equity benefits include a horizontally more equitable distribution of burdens on the grounds of the benefits received principle. As opposed to tax financing, those pay for the service, who evaluate it most, and the service is at a high level of their preference scale. General tax financing makes it easier for direct beneficiaries of basically private goods to shift the costs of buying the good to the shoulder of the taxpayer. Also non-residents and others who benefit from a public service but do not pay taxes, pay the costs of the good this way. (E.g. Property tax exempt organizations.)

Efficiency benefits are also considerable. With the help of prices effective demand signals where to extend the service, how to allocate resources. This way investment decisions can be more rational, local governments do not have to rely on public hearings and other methods of political lobbying. If a service is provided free of charge, shortage and overconsumption will occur at the same item, the demand always exceeds the supply.

In case of free supply anybody - even the non-residents - can be subsidized independently from the level of income they have. Costs to the local government can be reduced, if charges are introduced and only low income people are subsidized.

A less direct effect of a user charge is that tax rates can be

decreased which reduces dead weight loss[62], and politically more advantageous. In times when local governments are not able to increase revenues from taxes, they can finance public services from user fees.

The user charge as opposed to progressive tax financing e.g. may be more regressive. If income redistribution is very important or the demand of low income people would not even appear as an effective demand then different methods of subsidizing low income families can be introduced. For example a minimal level of service can be assured to everybody free of charge, while more supply in terms of quality and quantity should be paid for by the individual.

However the possibilities of a local government are not always clear. In the case of a poor community, the effective demand for a certain service would not even appear for a public service with private good characteristics, but it does not mean that the municipality should not extend the service to that community at least at a minimum level free of charge.[63]

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[62] The loss for the whole society which is caused when a tax is introduced and it diverts decisions from the ones that would be made under market conditions without state intervention.

[63] In the absence of a sewage system in a community, the whole society suffers, because the risk of disease increase. There are case when external benefits would be lost, if charges were introduced. Therefore at least a minimum level of provision has to be secured.

This argument however can be in conflict with the efficiency argument because consumers who will receive the service free of charge, will not be motivated to consume less. In these cases a trade off between equity and efficiency has to be achieved.

Clearly the possibility of a local government to introduce charges and finance services this way can solve problems of insufficient revenues, although the possibility is limited.

The possibilities to introduce utility and user charges in Baltimore

User charges amount to an important level of revenues of municipalities in the US. The reliance of local governments on user fees has been growing since the 50's. The period 1977-1983 was called the fee period, when local governments had to face a decrease in tax revenues which highlighted the importance of fees. The increasing reliance on user fees stopped at the beginning of the 80's, because of the increased value of property tax collections and more state subsidies.

In Baltimore, the water fees e.g were covered from the revenues of property taxes until 1979, when an Amendment established the separate water and waste water company[64] which is financially

[64] The enterprise is managed by the Bureau of Water and Waster Water which belongs to the Department of Public Works.The Head of the Bureau is appointed by the Mayor, and the Board of Estimates exercises the ownership rights of the city: approves the Bureau's operating and capital plan, establishes water rates, approves contracts.

independent from the city.

We can evaluate the introduction of the water charge in Baltimore as a necessary and positive step. It not only increased the revenues of the city, but also had considerable benefits on the efficiency of the system, and on horizontal equity. The decision on the extension of the system could rely on effective demand signals, the excessive use of the free water decreased and those organizations,which did not pay taxes to the city but used the water, paid for it too.

In Baltimore the local government assumes that poor people does not have a problem with paying their bills, because the water charge is quite low due to the favorable supply conditions, therefore the city has not considered a water subsidy. However it does not mean that every household buys an appropriate level of the service. The introduction of the water fee which covers the total costs of the service in Baltimore has the danger, that those, whose demand does not appear on the market are not considered to be potential consumers and the lack of necessary consumption deteriorates the hygienic level of certain neighborhoods.

There can be cases when utility charges could be introduced instead of tax financing theocratically, because the consumers are identifiable individuals but in the practice it would lead to serious problems. Fees can signal the demand only if it appears on

the market. There could be services e.g. whose consumption would be the interest of the society - local or national, and at least a minimum provision has to be assured free of charge or at reduced price.

Utility and user charges can be good policy tools to reduce financial capacity problems of local governments only to a limited extent. They may mean a good solution in cities where certain services are mostly bought by medium or high income inhabitants and are provided free of charge or at low price. The substitution of user fees for tax financing in case of basic services in poorer jurisdictions - as described above - have to be consider the introduction of a means tested subsidy too.

6. Conclusions for Hungary

The intergovernmental grant system in Hungary compared to the US system

In Hungary the 1990 Law on Local Government Management reassigned the responsibilities of the local[65] and the national government. The role of the national and county governments were seriously reduced[66] , the responsibilities and the discretion of local governments were increased. Besides basic mandatory tasks listed in chapter 2.3 (footnote 12), municipalities can undertake any other tasks which are not specifically assigned to the national level.

1. Local own revenues are low in Hungary

Own source revenues of municipalities do not reach 20% of their total revenues in Hungary. Local taxes yield a nominal revenue[67], most of the local governments have not even introduced property taxes which is the main tax source of municipalities in the US.

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[65] There are about 3000 local governments in Hungary. Most of them are little villages.

[66] It is limited to those tasks which have an effect to more than one jurisdiction.

[67] The Law on local taxes centrally defines the frame in which local taxes can be levied by local govern,nets. These rules most of the time discourages local governments to introduce taxes, because thy impose obligatory tax exemptions for a big number of residential property owners. Municipalities often asses, that the revenue from the property tax would not even cover the administrative costs connected to the introduction of the tax.

The role of the national grants are different in Hungary

Municipalities in Hungary mainly rely on normative grants from the government, which amount to about 40% of the local budgets.[68] The normative grants cover the operating expenses of local municipalities. As there are no real local tax revenues in the country, municipalities heavily depend on these transfers.

Besides normative grants local governments can apply for "centralized grants" for special purposes. These grants are allocated among a limited number of jurisdictions if they meet certain criteria. The grants are partly for developmental purposes for local governments with special burdens and partly are transfers to individuals to offset certain price increase. The decision is in the hand of the national government, however it seems that applicants which meet the eligibility criteria always receive funding.

Jurisdictions can also compete for "addressed grants" to fund ongoing capital investment projects. The allocation of the funds is the discretion of the ministries which usually take into consideration the social position of the locality, but also the

[68] The normative grants are theocratically earmarked grants for 27 specific purposes, but the local governments do not have to use the grants for the given purpose. The grant is allocated on the basis of a unit cost of the service in question. This unit cost is multiplied by the number of that unit in each municipality. The cost per unit never covers the total expenditure of that service so the discretion of the local governments to decide whether to spend the grant on a specific purpose or not remains a theory in most of the cases. The unit is usually a system of "workload measures" of the function, which can be quite complicated.

limited amount of money is distributed to gain the maximum new investment possible.

In addition to grants, the national government distributes back 30% of the income tax to the locality where it was collected.(13% of the total local revenues).[69] In case the per capita income tax does not reach a certain amount of money the government completes it to a maximum total level. Minor shared taxes include the 50% of the car weight tax, 50% of the revenues from privatization of companies founded by city councils, and 305 of the environmental protection fine.

According to fiscal federalism principles, the normative grants and revenue sharing can be justified by the vertical balance between the two tiers of governments, and the decentralization of tasks from the central to the local level. As the operating budget of municipalities mainly depends on the normative grants, these grants play a different role than block grants in the US where they are designed to complete local sources. While in America the vertical distribution of funds is only a minor role the grants play, in Hungary those underlying theories which consider externalities and spillover effects or economies of scale are not well known yet. Block grants in the US and normative grants in Hungary can also be justified by the equalization of fiscal capacities among local

[69] The normative grants are financed from a tool to which the national government puts the remaining part of the personal income tax.

governments.

The addressed and centralized grants are like project grants in the US. With the help of targeted funds the Hungarian municipalities can eliminate poverty ghettos e.g. or reconstruct dangerous cellar systems etc. The addressed grants mostly serve infrastructural developments. These grants are competitive, and the allocation is the discretion of the ministry officials. The justification underlying these two grant types are spillover effects and externalities and only partly the vertical and horizontal equality. The government wants to ensure that a greater amount of money be spent on certain services (construction of a sewage system).

However there is another important difference between the Hungarian and the American localities which have and effect on the possible role of project grants: this is, that municipalities in Hungary do not issue bonds and they do not take out loans either because local leaders and officials are not familiar with banking and the technical conditions of the bank system in Hungary are underdeveloped too. The leveraging is only possible with transitionally high revenues from the sales, privatization and leasing of ex-state-owned property.

Therefore, the role of the categorical grants in Hungary can also be justified with the vertical and horizontal balance of localities. The question is - as in the case of normative grants

too - whether the system supports horizontal equality or not.

3. Equalizing fiscal capacity with the grant system

The grants in Hungary which explicitly aim at helping localities with outstanding economic, social and fiscal pressures include a theoretically competitive[70] grant for "localities in a disadvantageous situation", and a complementary normative grant for underdeveloped communities. The first grant is tied to very strict conditions (e.g that the local government can not apply for addressed grants) so it only helps jurisdictions in an extremely bad situation. The objective of the second grant is explicitly to ease the fiscal burden of local governments. The use of the fund is restricted to the basic functions of the municipalities. The amount of the grant is not considerable, however it tries to achieve some equalization of fiscal capacities.

However the horizontal equality of local governments is not a crucial issue of the grant system in Hungary yet. The reason for that is, that as local own revenues differ only to a limited extent i the country, the focus is on balancing resources vertically. However, it is clear already, that the biggest problem with the transfer system is, that it is not equalizing enough. The formula of the normative grants take expenditure needs into consideration but they do not consider revenue raising abilities. The sharing of

[70] Eligible communities usually receive the grant. Therefore, in practice, this is an open ended grant.

the income tax completes the per capita revenue to a certain amount though we have no information on how many percentage it represents of the average income tax per person in the country. If we consider that these grants finance basic services, and that transfers cover 60% of the costs in average, we can expect that in the near future some jurisdictions will provide high level of services to their inhabitants or will be reluctant to impose taxes, while others will not provide a minimum level of services either.

Lessons learnt for Hungary

1. While the decentralization of responsibilities in Hungary is a very positive step, the system lacks a comprehensive underlying theory concerning the role of the national and local governments. As the national government finances only a part of the different basic operational functions, which they justify with the serious budget constraints, they reduce the restrictions and requirements towards local governments, as in the case of budget cuts in the US. The result can be serious in the case of the social and housing assistance to individuals e.g. whose eligibility criteria are set locally.

It seems that the national government passed a lot of tasks to municipalities which they will not be able or should not provide themselves, because they are too small. (Small villages should not and can not always provide day care e.g.) By financing each jurisdiction separately, the cooperation becomes necessary but more

difficult.

The theory of fiscal federalism helps to understand the cases for decentralization of public services in a country. On the basis of the theory, the distribution of tasks between the national and the local governments should be rethought.

The central government has not measured the real revenue raising ability of localities. There is a danger that the minimum level of services is not assured in underdeveloped parts of the country, because the normative grants and the share of the income tax does not cover necessary expenditures, while own sources can be very low. *Therefore the revenue raising ability similarly to the Representative Tax Capacity measuring should be introduced urgently in Hungary .*

2. The system of the intergovernmental grants in Hungary is in transition at the moment. It is likely that local revenues will play a more significant role in the future. With this shift the scale of normative grants will be reduced. At the same time the *grants will have to be designed by considering horizontal equity more seriously.*

Horizontal equity of normative grants can equalize fiscal disparities among jurisdictions. The Representative Expenditure and Revenue systems which were worked out in the US can be a good basis

for estimating fiscal disparities on the national level, and introduce a well designed allocating formula. Equalization serves two interrelated aims: 1. to assure that municipalities provide a standard level of service for a similar tax burden 2. to assure that tax burdens (tax rates) do not differ considerably in the country discouraging private economic development, and further strengthening economic and fiscal decline of some areas.

3. The targeted grant category is confusing. It includes several types of grants to several purposes. Most of them are like categorical grants in the US, with mainly developmental goals. However the welfare transfers are totally different from the developmental grants and are not coordinated at all[71].

Targeted and addressed grants which are allocated to a specific purpose can best achieve their goals if they are introduced as matching grants. According to the economic analysis on the effect of grants on the spending patterns of municipalities the matching grants generate the highest spending for a certain purpose. Matching grants too, can take into consideration the financial capacities of the jurisdictions.

Individual transfers can be combined into a social subsidy system

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[71] Transfers are introduced temporarily after a price increase of basic goods. (Energy costs.) Usually they are eliminated in a few years. However there are not substituted by a social subsidy at the national level which would take into consideration the revenues and the actual expenditures of individuals.

which can be built up on the systems local governments have introduced and all those special transfers that the national government provides.

4. In the future, the differences among tax rates in different jurisdictions will play a bigger role in attracting capital and middle income population. *If the national government wants to equalize tax capacities to assure an appropriate level of economic development it can best achieve it with grants without use restrictions.* Direct economic development activities of local governments - even if they are subsidized by different grants - bring very uncertain results on the long run, while a good economic environment with lower level of tax rates can attract investments and increase the tax base more quickly.

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